

IN THE COURT OF THE TRANSPORT TRIBUNAL

IN THE MATTER OF THE APPLICATION (1955 No. 5) MADE BY
THE BRITISH TRANSPORT COMMISSION IN PURSUANCE
OF SECTION 23 (5) OF THE TRANSPORT ACT, 1953

FOR THE ALTERATION OF THE
BRITISH TRANSPORT COMMISSION
(PASSENGER) CHARGES
SCHEME, 1954

MONDAY, 20TH JUNE, 1955

THIRD DAY

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PROCEEDINGS OF THE TRANSPORT TRIBUNAL

MONDAY, 20th JUNE, 1955

PRESENT :

HUBERT HULL, Esq., C.B.E. (*President*)

A. E. SEWELL, Esq.

J. C. POOLE, Esq., C.B.E., M.C.

Mr. HAROLD I. WILLIS, Q.C., and Mr. E. S. FAY (instructed by Mr. M. H. B. Gilmour, Chief Legal Adviser to the British Transport Commission) appeared on behalf of the British Transport Commission.

Mr. GEOFFREY LAWRENCE, Q.C., Mr. LEON MACLAREN and Mr. GEORGE MERCER (instructed by Mr. J. G. Barr, Solicitor to the London County Council) appeared on behalf of the London County Council.

Mr. GEOFFREY LAWRENCE, Q.C., Mr. LEON MACLAREN and Mr. GEORGE MERCER (instructed by Mr. J. G. Barr) appeared on behalf of the Middlesex County Council.

Mr. GEOFFREY LAWRENCE, Q.C., Mr. LEON MACLAREN and Mr. GEORGE MERCER (instructed by Mr. J. G. Barr) appeared on behalf of the Essex County Council.

Mr. GEOFFREY LAWRENCE, Q.C., Mr. LEON MACLAREN and Mr. GEORGE MERCER (instructed by Mr. J. G. Barr) appeared on behalf of the Surrey County Council.

Mr. DUDLEY COLLARD and Mr. A. K. TWADDLE (instructed by Mr. E. R. Farr, Town Clerk) appeared on behalf of the Barking Borough Council.

Mr. DUDLEY COLLARD and Mr. A. K. TWADDLE (instructed by Mr. E. R. Farr) appeared on behalf of the South Essex Traffic Advisory Committee.

Mr. GEOFFREY RIPPON, M.P., and Mr. ALISTAIR DAWSON (instructed by Mr. A. McCarlie Findlay, Town Clerk) appeared on behalf of the Wanstead and Woodford Borough Council.

(*Mr. Harold Willis*): I understand, Sir, you would wish the three witnesses whom I called last week to be recalled for the purposes of cross-examination.

(*President*): Mr. Lawrence, we had some exhibits, LCC 401, etc.; if they are all to be used we will have them sent to the printers at once.

(*Mr. Geoffrey Lawrence*): I am much obliged. I was going to inquire if they had reached you; I am glad they

Mr. GEOFFREY RIPPON, M.P., and Mr. ALISTAIR DAWSON (instructed by Mr. D. J. Osborne, Town Clerk) appeared on behalf of Leyton Borough Council.

Mr. GEOFFREY RIPPON, M.P., and Mr. ALISTAIR DAWSON (instructed by Mr. G. A. Blakely, Town Clerk) appeared on behalf of the Walthamstow Borough Council.

Mr. GEOFFREY RIPPON, M.P., and Mr. ALISTAIR DAWSON (instructed by Mr. J. W. Faulkner, Clerk to the Council) appeared on behalf of the Chigwell Urban District Council.

Mr. GEOFFREY RIPPON, M.P., and Mr. ALISTAIR DAWSON (instructed by Mr. R. H. Buckley, Town Clerk) appeared on behalf of the East Ham County Borough Council.

Mr. GEOFFREY RIPPON, M.P., and Mr. ALISTAIR DAWSON (instructed by Mr. G. E. Smith, Town Clerk) appeared on behalf of the West Ham County Borough Council.

Mr. GEORGE MERCER (instructed by Messrs. Carpenter Wilson and Smith) appeared on behalf of the London Passengers' Association.

Mr. ARCHIBALD GLEN, Town Clerk, appeared on behalf of the Southend-on-Sea County Borough Council.

Mr. F. A. RULER, represented the Federation of Residents' Associations in the County of Kent.

Mr. H. J. A. KNOTT, represented the Barons Court Liberal Association.

have. I think that, with the exception of part of the last exhibit 407, they are all agreed tables in the sense that the figures upon them are agreed.

(*President*): Yes.

(*Mr. Geoffrey Lawrence*): I shall deal with the lower half of the last table in the course of my case.

(*President*): Very well; we will send them all to the printers at once and they will get into the transcript earlier.

Mr. WISHART INGRAM WINCHESTER, recalled.

Cross-examined by Mr. GEOFFREY LAWRENCE.

392. I do not think I have a great deal to trouble you with this morning, but I have a few questions that I desire to ask you upon BTC 30. I daresay you know, do you not, that I appear not only for the London County Council, but for the Middlesex, Surrey and Essex County Councils, and a large part of the two last-named Councils lies outside the London Area: therefore it is served by that part of British Railways, or a part of British Railways which is other than London Lines?—Yes.

393. But I daresay you would, also recognise, would you not, that London itself—the London County Council area and part of the Middlesex area—also has an interest in that part of its population which lives in the out-county districts but comes into London every day to do its work?—Yes, Sir.

394. You have been kind enough, I think, to supply us with some supplemental figures to BTC 30 relating to the discounts that have been applied to the expected new yields?—Yes, Sir.

(*Mr. Geoffrey Lawrence*): I do not know, Sir, whether you have these.

(*President*): Are they on any numbered sheet?

(*Mr. Geoffrey Lawrence*): No, I do not think they are. Without troubling you with another sheet, with Mr. Winchester's help I think I can get the figures of this Council just written into BTC. That would be a convenient way of doing it.

(*Mr. Harold Willis*): We have copies of the documents we supplied to your clients, Mr. Lawrence.

(*President*): If they are not lengthy, then we can write them into our exhibit.

(*Mr. Geoffrey Lawrence*): If my friend would be kind enough to let you have copies of the document that I have in my hand; they are not to be printed or exhibited, but simply to help you with this part of the evidence.

(*Mr. Harold Willis*): I think that would be convenient.

395. (*Mr. Geoffrey Lawrence*) (*To the Witness*): We can see in the last column of that sheet, which has been handed in, in the remarks column—column 6—the discounts which have been applied to the early morning return fares and season tickets in that category of charge which is the subject of the present Application?—Yes.

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[Continued]

396. I am right, am I not, in thinking that the figure for the early morning return fares is a discount of 4 per cent. and for season tickets 2 per cent.?—That is right.

397. Just for purposes of comparison, on London Lines—and I am looking now at BTC 27, appendix E—the discount in respect of early morning travel is only 2 per cent.?—That is so.

398. As compared with 4 per cent. on British Railways?—Yes.

399. And to get the comparison with the 2 per cent. I think I have to look at Appendix H of that exhibit for season tickets which shows a merely nominal allowance?—Yes.

400. Would you accept the proposition that the indications are that the increases in early morning fares and season tickets, which are the subject of the present Application, will be forthcoming from these parts of the Home Counties—if I may use the comprehensive term—that lie outside the London areas, because of their nearness to London and the extent to which their populations travel in and out of London for work?—I do not think we have made any difference in our estimate. Perhaps I will agree with you. To a rather greater extent, the discount might be rather smaller for the travel into London from outside than travel in the provinces.

401. I would suggest it probably goes a bit further than that and that substantially you will get your increase from those classes of travellers; but your discount really reflects the position outside that area of Home Counties and over the country as a whole?—As far as I am aware, no estimate has been made of the different discounts to be applied in different areas of the country. But I would not have thought that the differentiation would have been as marked as you suggest. I agree there is probably a greater loss completely outside London than on the traffic coming into London, but not markedly so.

402. Would that be because elsewhere cheaper alternative forms of travel exist?—That is one reason; the other reasons are that right outside London there is a larger proportion of short distance traffic in this category and that is more vulnerable, for example, to bus, to bicycle and assisted pedal cycle competition than is the longer distance travel, either on London Lines or from places outside London into London.

403. Yes. Let me look just for a moment at season tickets. I think we had this figure given to us either at the last Inquiry or the one before that. Is it true that approximately 75 per cent. of the total revenue from season tickets comes from travel either in the London Area or into and out of London?—I am afraid that figure is not in my recollection. You may well be right, but I can get it confirmed.

404. It does not strike you as being improbable?—No; it may be right.

405. The season tickets increases on London Lines are hardly discounted at all, are they; they are merely nominal?—That is so. It is nearly 1 per cent.; but it is quite small.

406. But it is double that discount over the country as a whole?—Yes.

407. The real loss again is outside the London and extra London Area, is it not?—It would tend to be greater outside than on the journeys into London.

408. Just a very brief word now about the ordinary fares that are not the subject of the present Application; the discount there is 3 per cent.?—Yes.

Cross-examined by Mr. RIPPON.

419. Mr. Winchester, you are the Chief Accounts Officer, are you not?—Director of Budgets is my title.

420. Are you also the chief Policy witness for the Commission here today?

421. (Mr. Harold Willis): Mr. Rippon, I think, I can answer that. Mr. Winchester is the witness who is dealing with the matter from the broad aspect. I think that will help you. You will not get anybody to cross-examine other than Mr. Winchester, Mr. James and Mr. McKenna; I think it would be better to put the broad questions to Mr. Winchester.

409. It is a fairly heavy discount, is it not, as these matters go?—Well, that is a matter of opinion. I do not know how big "fairly heavy" is.

410. Well, perhaps the figure speaks for itself. Passing from that, may I ask you about the Forces travel? As I understand Forces travel, that can be divided into two categories; travel which is paid for wholly for the benefit of the Service traveller by the Government, and travel which is paid for by the individual concerned but at reduced rates?—Yes, at his own expense.

411. Am I right in thinking that it is only the latter form of travel which has been made the subject of these increases?—No: The whole of this yield shown here applies to the travel at Government expense. Nothing has been put into this table in respect of anything we may get from increasing the charges to the Forces at their own expense. In the same way as we have not estimated anything for any other form of discretionary reduced fares.

412. I wanted to get that clear because it was thought on my side—if I may be permitted to say this to you—that the gross yield and estimated yield, there being no discount at all there, of £519 of a million was a yield to be expected solely from that part of Forces travel which was paid for by the individual himself?—No.

413. That is not so?—The exact opposite is the case.

(President): We have called in the past the travel which is paid for by the man himself "warrant travel", have we not, Mr. Winchester? Does anybody know?

414. (Mr. Geoffrey Lawrence): It is a very convenient telescopic phrase. Whatever we call it, I have your assurance that so far as the Government pays wholly the Forces travel, that type of travel is the subject of the increases as well as the travel in respect of which the traveller pays his own reduced fare?—That is so, yes.

415. What is the measure of the increase that is being put on that type of travel?—It is the same as on the ordinary. It is 7½ per cent. on the travel which is paid for at the Government expense; the £519,000 includes nothing for travel paid for at the expense of the individual.

416. But then I am afraid I still have not understood it. Are you really telling me this, that as you said just now, the precise opposite of what I was putting to you was the case; namely that it is only Government travel, wholly paid for by the Government, which is going to be subject to this 7½ per cent. increase?—Only subject to a flat 7½ per cent. increase; the others will be increased at discretion.

417. But the £519,000 gross yield is a reflection only of that amount of increase which you expect to get from Government paid travel?—That is so.

418. Then I was right in thinking that it represented only about half the travel, but I had got the wrong half. I am afraid we were uncharitable enough to think it might have been the Government who was excused the extra half, but it is the other way round.—That is so.

(President): Of course the Government travel is now regulated by agreement and in default of agreement determinable by us.

(Mr. Geoffrey Lawrence): Yes; I believe that is so. (To the Witness): Mr. Winchester, I am much obliged and that is all I have to ask you. The other matter will be reserved for the other witnesses.

(Mr. Collard): I have no questions for this witness.

(Mr. Mercer): It did occur to me it might be better if the Councils' questions were to come together.

(Mr. Rippon): It would be more convenient to take the Councils' objections together. I will not be very long.

(President): Very well.

(Mr. Rippon): I am much obliged. (To the Witness): Who is it who considers the objections put forward on the behalf of the various local authorities?

(President): You mean apart from the Tribunal?

422. (Mr. Rippon): I hope I may take that for granted?—They are considered by those engaged on the case and by Counsel.

423. I believe it is part of the policy of the BTC, set out in their notes in the annual report of 1953, at page 15, that part of the objective of the Commission is to ensure recognition of the public of the Commission's

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[Continued]

concern for their interests and ability to serve them?—I do not recognise that quotation, but it would seem reasonable.

424. Those whom I represent are anxious to know what happens when they make representations to the Commission. Are they ever considered by any committee of the Commission?

(*Mr. Harold Willis*): Could you help us, Mr. Rippon, by indicating the type of representation to which you are referring? Quite plainly certain types of representations go through one channel, and other types go through another. If you are complaining about a dirty railway carriage, someone will deal with that, whilst someone else will deal with a late train.

425. (*Mr. Rippon*): I am considering principally, Mr. Winchester, the objections made in respect of this Application?—I think it is fair to say they have not been given any detailed consideration outside those engaged on this case. If there has been any particular new objection of great interest, then it might be taken further.

426. I think that is a sufficient answer for my purposes. At any rate, they are not considered by anybody outside those engaged on the case?—So far they have not been; I do not say there is any regular routine on that.

427. I think all your objectives are subordinate to the need of balancing your accounts, are they not, taking one year with another?—Oh, no. Our main objective was giving the proper standard of service; but it is very much conditioned clearly, as any other business is, by the need to balance the accounts.

428. I would like to know how you interpret the phrase "taking one year with another"?

(*President*): He had better ask the Legal Department; if pressed he should ask Mr. Willis.

429. (*Mr. Rippon*): I put it, as I hoped, as clearly as I could. How do they in fact interpret that requirement?—That is not something which is capable of any precise definition as to how the financial and commercial aspect of that should be interpreted by the Commission. May I put it this way: it is quite clearly interpreted that the present position, or the position as it obtained in the early part of this year, was not such as they could view with equanimity without taking all the steps possible to improve the financial position.

430. "All the steps" being primarily and immediately some increase in fare charges?—That must be the main cure for increases in cost of the magnitude that we have met.

431. But you do understand, do you not, that perhaps the two primary objections put forward by those whom I represent are that we should first and foremost allow a year in order to permit the effects of the last Scheme to be fully estimated?—When you are able to ensure that we do not have wage increases for a year after new fares come into operation, then we will treat that particular objection very seriously.

432. You feel that as soon as there is some increase in wages, some immediate action must be taken?—If we thought there was a reasonable chance of meeting the position by some other means, we would wait. We are confident that an increase of this magnitude cannot be met over a reasonable length of time by any other means than by putting up fares.

433. Do you think it could be met in a reasonable length of time by giving effect to the recommendations of the Inquiry into London Transport?—No.

434. You do expect, do you, to give some effect to those recommendations?—That is a matter that clearly we, in particular London Transport, have under full consideration but I am—

435. That is as far as it goes?—Indeed, no; but I am not in a position to answer questions on the details of what is intended in that respect. I do know that great thought has been given to these questions (and indeed had been given to many of the questions in the Chambers Report, if not all of them) long before it was presented.

436. I think about £1.8m., included in the justification of the Application relates to loss of traffic?—Yes; that is the difference between what we estimated last time we were here and what we are now estimating in respect of traffic.

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437. You lost more traffic as the result of higher fares last time than you anticipated?—I do not think so.

438. But £1.8m., as I understand it, is a reduction in the amount you expected to receive as a result of the last fares increase?—No.

(*Mr. Harold Willis*): In the aggregate. If you look at BTC 3 where this figure of £1.8m. is set out (it appears in Item 12), Mr. James explained how that figure was arrived at and it was not suggested by him that the reason was in whole or in part failure to get the result of our last Application. It is the deterioration of the general demand for transport which has contributed to that.

439. (*Mr. Rippon*): You do not think it is due to the fares as much as to cars and television sets?—I am not the witness mainly concerned with that matter, but I should be very surprised if fares were the main factor, or the important factor.

440. Would you describe loss of traffic, in so far as it was the result of higher fare levels, as increased costs?—For what purpose?

441. For the purpose of this Application?—No, I would not.

442. I think you said in your evidence-in-chief, amongst other things, that fare levels had risen outside London on the road services?—On the bus companies, yes, throughout the country.

443. In nearly all cases they have received authority from the Licensing Authorities to get increased charges to meet their costs?—Yes.

444. I think you took some pride on the last occasion in saying that that rise in London was only 90 per cent. above pre-war?—We pointed that fact out.

445. What will the figure be if this Application is approved?

(*Mr. Harold Willis*): I think Mr. James will give you that figure.

446. (*Mr. Rippon*): It was only that I wanted to make some comparison with the position outside London. Would you agree, Mr. Winchester, that in spite of the higher fares which have had to be introduced outside London, the cost of provincial bus travel is on an average only some 35 per cent. above pre-war?—Are you talking of the whole of outside London or are you talking of municipalities or provincial bus companies?

447. The general level of fares in provincial bus companies. I will tell you where I get the figure from because you may not accept it; you may have another figure. It was in the Annual Report of the BET Omnibus Service Ltd. as printed in "The Times" on 9th June, this year?—It may well be true. That is bus companies which, by and large, are operating in the country or semi-country areas without anything like the congestion in London.

448. Would you agree that on the whole they have shown more concern outside London with the effects that result from a loss of traffic and a loss of goodwill?—By all means their problem has been less difficult; therefore they have not had to put the fares up to the same extent.

449. Do you think the loss of traffic outside London has been greater or less?—Which loss of traffic? Do you mean as a consequence of fares increase, or apart from fare increases?

450. As a part of the whole process fares increases combined with the increase in cars, television sets, and the other things on which you rely?—I would not have thought there was any marked difference; but I cannot speak with great confidence on that.

451. Those whom I represent are particularly concerned about the fall in the number of passenger journeys between 1951, when first we became interested in this matter, and the present time?—Yes.

452. Do you know the percentage figure of the fall between 1951 and 1955?—No, but I should imagine it is fairly high. The level of travel in 1951 was quite abnormally high. Again perhaps I am going too far. This is something in which I am not really expert.

(*Mr. Harold Willis*): This is a matter for Mr. McKenna, I think.

453. (*Mr. Rippon*): It is not a matter to which you, as the policy witness for the Commission, have given any particular detailed consideration?—I am quite happy that

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[Continued]

the policy is right in the circumstances, quite irrespective of what the correct policy might be in other circumstances outside.

454. I think Mr. Willis said on Day 1, at page 7, that "the fares in London are slightly higher but not substantially higher than outside"—only "slightly higher"; do you agree with that?—I think that that reference was to municipalities.

455. (Mr. Harold Willis): I think I was assuming that to be the fares charged by the Commission?—On the railways?

456. (Mr. Harold Willis): Yes?—Yes, I beg your pardon.

457. (Mr. Rippon): You have to charge lower fares on the railways outside London because the road services, with whom you have to compete, charge lower fares?—That is an important reason; and for a very good reason, of course, which is that the operating conditions of these road services outside London are very much easier than the operating conditions inside London, which is a major factor in the cost comparison.

458. I think the Chambers Report states, in paragraph 90, page 22, that "the average fares charged for road passenger transport in most large cities vary within the fairly narrow limits of about 1½d. to 1½d. per mile"?—I am not really in a position to go through the details in the Chambers Report with you; but I think you will find that the Chambers Committee found a great many good and convincing reasons for these difficulties.

(President): Well, they find one or two reasons in the second half of that same paragraph 90. It goes on to say "the differences between the London fares and those in provincial cities can be accounted for by two or three main factors such as the higher rates of wages paid in London and the slower speed of the buses and trolleybuses resulting from the spread of congestion in London over a larger area".

459. (Mr. Rippon): They go on to say, in paragraph 91, Mr. Winchester, that "the receipts per vehicle mile in London are about 20 per cent. below those in Glasgow and about 25 per cent. below those in Birmingham"?—That is so. I am not in a position to comment on that.

460. Would you agree that one of the difficulties facing London Transport is that the average loadings throughout the day are low?—There is a very considerable peak problem which has that result, yes.

461. Would you agree with what the Chambers Committee says in paragraph 93 about the peak problem, that "In industrial cities, owing to the non-existence of tube railways, the peak traffic problem may be more acute than in London"?—I am not in a position to comment.

(Mr. Harold Willis): If you read on you will see the compensating factors. Outside London, Mr. Rippon, you have people going home for the mid-day meal, and so on.

462. (Mr. Rippon): But you do not encourage a cheap fare in London for people going home for the mid-day meal. (To the Witness): The fact remains, does it not, as the Chambers Committee say in paragraphs 398 and 399, that "with slightly lower fares the municipal undertakings in Birmingham, Glasgow, Liverpool and Manchester made small surpluses in the year ended 31st March, 1954, while London Transport made a deficit in the year ended 31st December, 1953"?—That is the fact, for what it is worth, which is very little.

463. It is accepted as a fact by the Commission and not just a statement by me.—Again, I have not checked it. I imagine it is so.

464. Then they go on to say: "Receipts per vehicle mile on London Transport road services are lower than those on the undertakings referred to in the preceding paragraph although the fares are a little higher; that is due to poorer average loadings".

(Mr. Harold Willis): They do point out repeatedly that you cannot really make a strict comparison between the two because of the different methods of accounting.

465. (Mr. Rippon): We have their tables in detail here. (To the Witness): Finally, on the Chambers Report, Mr. Winchester, have the Commission considered the statement of the Committee in paragraph 463: "Any upward adjustment of wages and salaries must result in increasing the deficit still further and in the absence of corrective action this deficit can only be made good by

increasing fares or by contracting services or by a combination of both. This vicious circle of increased remuneration followed automatically by a corresponding increase in fares could be broken if vigorous action is taken to put into force the recommendations made in this Report". Does the Commission accept that conclusion on the part of the Chambers Committee?

(Mr. Harold Willis): I can say this: They certainly accept the fact that if you had staggered hours it would very much assist the London problem; it would also very much assist the London problem if you had better roads; and there are other factors such as the petrol tax. If that were done away with or altered it would affect the traffic in London. Those matters are, of course, outside their control.

466. (Mr. Rippon): Do they accept the matters which are within their control, such as the conclusion of the Chambers' Committee that maintenance costs are too high, in paragraph 437?—Certainly. That is a matter which has been, and is being, closely watched and dealt with. Again, I am afraid I am not in a position to go into it in any detail.

467. That is a matter, really, for Mr. James, is it not?

(Mr. Harold Willis): It is not really a matter for any of the witnesses whom I have tendered so far, Mr. Rippon, because I did not take the view that any detailed consideration of what was in the Chambers Report would be regarded as relevant by this Tribunal.

468. (Mr. Rippon): Anyway, it is not regarded as relevant by the Commission, Mr. Winchester?—The Commission is certainly very happy to consider and examine any advice that may be given to them.

469. What those I am representing want to know is when they are going to stop considering the advice and take the action?—May I say this, Mr. Rippon, that nothing that can be done, or is being done, as a consequence of the Chambers Report, is going to alter the position in "B" year to any material extent.

470. But will it alter the position in "B" plus one year?—I think we will not go into the arithmetic. No doubt it will do something eventually.

471. What I am putting to you is this: When the Commission find there is any increase in cost they immediately pass it on to the public in the form of higher fares.—That is not true. If you look at Mr. James' exhibit B1C 3 there have been very substantial savings, mainly savings due to re-organisation of the services and reduction of services. London Transport are continually looking for ways of reducing costs, but these things are very small. The rate at which these things can be done are quite out of scale with the amount of the wage increases we are suffering.

472. Two final fairly short points on the subject of economies and capital expenditure. I think you said, on Day 1, page 8, that the Commission had a target of economies amounting to £15m. a year?—That was a target set by the Commission to the Managers of British Railways.

473. How is that target fixed?—It was fixed in a somewhat arbitrary fashion without specifying any kind of way it should be done. That is a job for the Managers.

474. Who are now debating and discussing it?—And, in so far as it is possible, making economies.

475. They are making economies?—Yes; as they have continued to do every year.

476. Is it possible to quantify those economies?—The thing is not finalised. The thing is a continuous process.

477. Then there must be a continuing economy?—You are talking in terms of British Railways? I do not know quite what relevance that has to the London Transport picture or the picture before us.

478. You introduced the subject.—Yes, certainly. But I am not in a position to say what economies will be achieved in "B" year.

479. If you could effect economies it would affect that figure of £20m.?—Quite clearly an improvement of £15m.—if you get the whole of the target—would still leave us requiring more money.

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480. But it affects the percentage you apply to that £29m.?—I am sorry; we are at cross-purposes. Which £29m.?

481. The £29m. of increased costs of British Railways to get the percentage increased costs which would be applied to London Lines?—Yes. If the economies can be effected in the London area, and if you leave out any other kind of change. That £29m. was a broad test of the additional burden of London Lines.

482. I think you take the same line on your increased capital expenditure, that it would not have any appreciable effect in "B" year?—What do you mean?

483. The modernisation?—That is so. That was specified, I think, as schemes to be put in hand within five years and completed in 15 years. The benefit to revenue is something purely remote, several years ahead.

484. How many years ahead?—Several. It will be gradual.

485. What was the capital expenditure in 1954?—I think it was, for the Commission as a whole, about £50m. or £60m.; a very great part of which was replacement of assets at higher price levels.

486. What about 1955?—There would be no appreciable difference. I have not got the figure on tap.

487. And 1956?—That will begin to see the modernisation plan quickening; but the fact that we will spend the money does not mean that we will get any benefit from it in 1956. The schemes we are talking about are schemes to go on for several years, and it takes a long time to get the benefit.

488. What is the expected rate of return to the Commission as a result of this new capital expenditure?—That is a matter which it is very difficult to estimate precisely; but in the modernisation plan itself the hope was expressed that when the whole thing was finished it might improve the net position by £25m. a year.

489. Of course, that will be an improvement which is cumulative?—No. It will be an improvement in the annual revenue position.

Cross-examined by Mr. MERCER.

499. Mr. Winchester, I appear for the London Passengers' Association, with which are affiliated, I am instructed, a number of other associations, mainly the Ratepayers Association, members of whom would be concerned with the position of fares from the higher ranges in London. There are only one or two matters I have to ask you about on their behalf. The first relates to BTC 1. That shows, does it not, that, in respect of the British Railways, on a figure of gross earnings of £469.7m. it is expected in "B" year, with the alterations the subject of this application, there will be a net receipt of £8m.?—Yes.

500. By comparison, London services will show, if the figures run true to estimates, gross receipts of £75.5m. with net receipts of £4.5m.?—Yes.

501. The figure of £8m., of course, includes London Lines?—Yes.

502. And it would also include, would it not, earnings in respect of the main line and other traffic in through the London area?—Yes.

503. Consideration of those figures would show, would they not, that it is not quite true to say that increases in costs cannot be met and have to be met by the imposition of higher fares, because in fact the comparison of those figures shows that the additional wages cost alone is not being carried so far as the first figure is concerned. That is the position, is it not?—That is so. We are not able, at this stage, to show that we will get as large a return as we would like from British Railways.

504. I only wanted to have the position clear. It does correct your explanation, does it not, to that very marked extent?—If we are not able to get it, we cannot get it. That is so.

505. The evidence that you gave on the 13th June did set out the steps taken by the Commission in view of the incidence of these increased costs?—Yes.

506. Running down questions 24 to 28 inclusive, you do very clearly, if I may say so, set out the action taken

490. You are not going to wait, are you, until the completion of that plan before taking account of any increased rate of return?—Certainly not. As the things fructify they will appear in the figures and in the estimates.

491. What is that £25m. a year expressed as a percentage return?—Of what?

492. Is it 6 per cent. or 7 per cent.?—The £25m. a year you are talking about is after meeting interest on the capital we are employing. It is an improvement in the net balance.

493. What will be the net return as a result of this capital expenditure? Will it be 6 per cent.?—The £25m. cannot be so expressed.

494. What is the total amount of money you expect to spend on this plan?—The figure was given as £1,200m.

495. And for an expenditure of £1,200m. over a period of years all you expect is a net improvement in the financial position of the Commission of £25m. a year?—After meeting interest on the capital cost.

496. That applies to anybody who borrows money to improve the efficiency of an undertaking?—We thought that was a not negligible profit.

497. Would it be true to say it is the aim of the Commission to justify their new investment in terms of the expected rate of return?—That will be one of the justifications of it.

498. Do you expect that that rather modest return will be jeopardised if in the interim you price yourself out of the market?—Yes. If you price yourself out of the market, you would be worse in your financial position. That is perfectly clear.

(President): Mr. Mercer, are you cross-examining for the London Passengers Association?

(Mr. Mercer): Yes, Sir.

(President): If so, I want, at some time, to have the last printed report of the London Passengers' Association. I suppose the Association's reports are printed and circulated to its members. I want the last printed report.

(Mr. Mercer): I will be pleased to ask for that, Sir.

in respect of the various activities of the Commission?—By the way of increases in fares and charges; not necessarily the whole of the action taken.

507. It is true, however, is it not, to say that those answers do show that the only action taken by way of increases in fares or charges?—These were described as the action by way of increases in charges. They did not purport to be the whole of the action taken, unless I have expressed myself very badly.

508. So you are saying, are you, that when Mr. Willis asks: "Will you briefly indicate what steps the Commission have taken", you interpreted "steps" to mean what increases in fares or charges there had been?—Yes. Perhaps I should apologise if that was not clear, but I intended to imply that these were the steps taken by way of increases in fares and charges; not to imply that these were the only steps taken.

509. Of course, it is fair to say, is it not, that, so far as British Railways are concerned, the answer to question 32 refers to the target of £15m. and special economies?—And also, in the earlier part of the answer, to two other steps which were improvements in efficiency that had been achieved before we were set this further target.

510. But, so far as London is concerned, we cannot gain any particular hope, can we, from any of the answers given in reply to that question: "What steps have the Commission taken outside the ambit of this Inquiry to meet increases in their costs"?—No. There is no reference there to the savings which the Commission has effected. They are set out in the document of Mr. James'.

511. Those matters are better dealt with by Mr. James or Mr. McKenna?—I think that that true.

512. I am only trying to find out if there is anything you would like to add to that having regard to the natural desire of all concerned to keep the fares down?—On the question of economies made, or to be made, by London Transport, I would prefer to leave the matter to Mr. James or Mr. McKenna.

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Mr. WISHART INGRAM WINCHESTER

[Continued]

513. Although I have listened to your answers to questions about the Chambers Report and do not want to repeat anything that has been said, my clients are concerned with matters which were raised on page 108 of the Report and which have, no doubt, been considered by the Commission independently of the Chambers Committee. Those are the matters referred to in paragraphs 479 and 480, the relationship between the London Transport Executive and the British Transport Commission. Are you able to say at this stage whether any consideration, either as a result of that Report or independently of it, has been given by the Commission?

(*Mr. Harold Willis*): That is really a matter for Parliament to decide. It is all under the Statute at the moment.

(*Mr. Mercer*): I understand that; but, having regard to the last answer that Mr. Winchester gave, it does seem that the Commission itself might be able to indicate some improvements which show a policy of controlling these matters.

(*The Witness*): I am not aware that any decision on policy in these matters has been taken. It is really outside my knowledge.

514. (*Mr. Mercer*): So far as you are concerned, that is a matter which is outside your purview?—Yes.

515. And you will wait to see what the results will be?—Yes.

Re-examined by Mr. HAROLD WILLIS.

516. I have very little to ask you in Re-examination, but may I take the opportunity of correcting what I think was an inaccurate answer that was given to my learned friend Mr. Lawrence in regard to these Forces fares. It is perfectly true, is it not, that the £519,000, which is the gross yield of the increases, relates only to the warrant travel?—To warrant travel which is the travel paid for by the Government.

517. Paid for by the Government, but in so far as you may have conveyed the impression—I think you did—that the £11,900,000 was all warrant travel, I think we ought to get that corrected. That covers both aspects?—That is so.

518. The warrant which accounts for £6,914,000 and the furlough travel, if we can use that expression, paid for by the individual at concession rates accounts for £4,986,000.

(*President*): Can I have those figures again?

519. (*Mr. Harold Willis*): Warrants, £6,914,000; cash furlough, £4,986,000. I think that makes up the £11,900,000. The figure of £519,000 relates only to the warrant, the increase to be applied to the balance being a matter of discretion, I think; no decision has yet been come to on that?—That is so.

520. That is in the same position as, for instance, the excursion fares and other reduced fares where again we see no figure of gross yield?—That is so.

521. There may be a little to come there?—Yes, that is a matter largely for local management to decide.

(*Mr. Poole*): What you call furlough travel is paid for by the Government just the same, is it not?

(*Mr. Harold Willis*): No, furlough travel is where you have leave and you take your leave ticket and you obtain at the booking office a cheaper ticket than if you come as a private individual.

(*President*): So that £11,900,000 does include that travel, and it was a wrong answer given to Mr. Lawrence?

(*Mr. Harold Willis*): It was, that is why I desisted the opportunity to make a correction. Only £6,914,000 is warrant travel and the balance is what you have just described, the furlough.

(*President*): I do not think Mr. Lawrence got a wrong answer; he was asking about £519,000; the answer he got on that is right. I am told your voice, Mr. Winchester, is not carrying sufficiently to the Press. If you desire to achieve that distinction, perhaps you would shout a little.

522. (*Mr. Harold Willis*): Then I do not think I have anything else on my learned friend Mr. Geoffrey Lawrence's cross-examination. My learned friend Mr. Rippon asked you some questions on the figure of £1.8m. in Item 12 of BTC 3?—Yes.

523. I think we ought perhaps just to clear that up a little. The £1.8m. is made up, is it not, in part from the reduction in receipts because you have curtailed the services, that is one of the elements making that up?—I take it from you.

524. Would you prefer Mr. James to deal with that altogether?—I think so.

525. Very well. I will not ask any further questions on the £1.8m. Then you were asked one or two questions on the Chambers Report by my learned friend Mr. Rippon, and I think the only paragraph I would like to refer to, as only a little of it was read, is Paragraph 93, comparison with Glasgow, where it was said there was a bigger peak problem than in London. The paragraph goes on, however, to say: "In most cities however the average distance between homes and places of work is much smaller than London, for example in Glasgow many workers go home for a midday meal. This makes another period during the day when more vehicles can be loaded. Moreover there are in Glasgow many tenement buildings or blocks of flats in the near the city centre, and many people living there want to get to places of work which are away from the centre. These people are travelling against the corresponding stream of people coming into the centre. It also happens there is an appreciable amount of traffic in the evening between the new housing estates round Glasgow and the older parts where there are more amenities. The average loadings in Glasgow can as a consequence of these conditions be better than those in London and there is very little that London Transport can do about a difference of this kind in so far as it is caused by differences in the size of the two transport areas, the distribution of housing and places of work and the habits of the people." If we are going to look at any part of Paragraph 93 it is right, is it not, that we should look at that bit as well?—It seems to me a very useful analysis.

(*Mr. Rippon*): Also Paragraph 4, with the compensating factors in London.

(*President*): We will have to choose eventually between reading about 10 pages of the Report out loud, though why we should do so I do not know, when they can be referred to . . .

526. (*Mr. Harold Willis*): Mr. Mercer compared the two figures in Line 7 of BTC 1, the net receipts of British Railways and the net receipts from London Transport. The net receipts for British Railways are considerably less on this Table than the Commission would wish them to be?—That is so, yes.

527. Does the figure of £8m. represent the position that is likely to exist in "B" year, notwithstanding all of the efforts that the Commission have made?—Subject to the qualification about such additional economies as it is possible to realise.

528. But whatever additional economies may in fact be realised, can there be any doubt that the figure in Line 7 will still be far short of the amount sufficient to meet the central charges applicable to British Railways?—That is so.

529. A figure of about £40m.?—That is so.

530. So there is a huge gap at the moment between those two?—There is a very large gap, yes.

531. And the Commission are of course impressed with a need to try and close that so far as is possible?—Yes.

(*Mr. Harold Willis*): Thank you, Mr. Winchester.

(*The witness withdrew*.)

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[Continued]

Mr. PHILIP GAVED JAMES, recalled.

Cross-examined by Mr. GEOFFREY LAWRENCE.

532. Mr. James, you are the Chief Financial Officer, are you not, of London Transport?—Yes.

533. My learned friend Mr. Rippon has already put some questions to what I venture to think was the inappropriate witness on the subject of economy in the London Transport Area. Will you bear with me a few moments if I put a few questions to you as being, as I think, the appropriate witness to deal with this?—If you please.

534. I want to put this quite fairly as well as briefly. The Chambers Committee drew attention in the Paragraph which Mr. Rippon has already read and which therefore I am not going to read again—Paragraph 463—to the fact that the spiral of wages and fares always increasing and chasing the other, could be broken if certain factors of improvement by way of corrective action had come into play. Do you remember that?—Yes.

535. It is fair, is it not, to say that what they had in mind, as we see from Paragraph 391, which is on Page 94, is the large number of very important factors entirely out of the control of the London Transport Executive, but some matters of internal management over which the Executive had some control?—I do not know what the Chambers Committee had in mind, but it appears so from their Report.

536. Look at Paragraph 391: "Our main conclusion is that while a marked improvement in efficiency and substantial economies could be achieved if the measures referred to in the following paragraphs were taken, the undertaking carried on by London Transport Executive is conducted efficiently and with due regard to economy. Some of the most important and most effective of the suggested measures including those relating to traffic congestion involve decisions and heavy capital expenditure by authorities other than the London Transport Executive. Others, including those relating to maintenance cost, involve internal action by the London Transport Executive itself. These measures are all the more urgent because of the unsatisfactory financial position of the undertaking" —Yes.

537. May I say at once that I recognise, of course, on my side, those factors of traffic congestion and so forth and staggered hours are entirely outside the control of the Executive. What I want to ask you about are the matters which, in the words of the Committee, "involve internal action by the London Transport Executive itself". Put shortly, the two topics on which they said that improvement and saving could and should be effected were maintenance and garage costs, were they not?—They said that maintenance was too high.

538. And their general conclusion about that was in Paragraph 437, which I am not going to read, because Mr. Rippon has already mentioned it; the first brief sentence is "Maintenance costs are too high". The specific paragraph is 236, where they deal with the cost of maintenance in the buses and point out that cost per vehicle mile in London is higher than elsewhere. Carriage costs, you will find, are dealt with on the same basis in Paragraph 245: "Higher in London per vehicle mile than elsewhere". If you would look, please, at Paragraph 242, which, having dealt with the new works at Aldenham and the question of policy obtaining there, towards the end says: "Nevertheless there is one unsatisfactory feature, that is that productivity per head remains low because of the excessive numbers employed in the works. This criticism applies also to the works at Chiswick and to the garages. The proportion of maintenance and cleaning staff employed in the works and garages in relation to the number of buses in London is about 1.5 to 1 compared with about 1 to 1 in other large cities" —Yes.

539. I do not want to take any unfair points here, Mr. James. No doubt it can and ought to be said that one reason why that low productivity per head exists, by reason of excessive numbers, is because of certain Trade Union agreements which have been made in the past with the Executive?—I do not want to go too far on this point, Mr. Lawrence, else I shall be dealing with matters which are outside my province as Chief Financial Officer, but I would like to make this comment on the points you have raised, and you have raised a number of them, that I do not necessarily accept the

direct comparability of the figures which have been quoted here, because the Chambers Committee themselves qualified the comparisons they make at a number of places.

540. May I make it quite clear, I am not asking you questions on the validity of the comparisons because we have thrashed this out on previous occasions, and it is obvious there are big differences. What I am asking you about is the conclusion of the Chambers Committee that there is room for improvement by way of saving in maintenance and carriage costs in London?—Yes, but I am in some difficulty in discussing a conclusion if the comparisons from which that conclusion is drawn are not wholly valid.

541. Then may I put it this way, so that perhaps we can save time. Are you saying that you are not accepting as a fact the conclusion of the Committee that there is any room for improvement in the London Transport on the heading of maintenance and carriage costs?—I do not think anybody in London Transport would ever accept that no improvement was possible in any aspect of their operations.

542. Would you accept then, that in all the circumstances it was a justified criticism to make, that maintenance costs were too high? Never mind whose fault it is, but as a fact.

(*Mr. Harold Willis*): I think perhaps I should just intervene at this stage. Mr. James, as he pointed out, is the Financial Officer. If the Tribunal consider it desirable, the matter of the validity of the Chambers Report in whole or in part can be dealt with by a witness who is in a position to deal with it. Mr. James is not that witness. As at present advised, I have not thought it proper to call such a witness because in my submission it does not arise on this Inquiry. But if the Tribunal desire this matter to be gone into, then I have a witness who can deal with it and in those circumstances, I am in the hands of the Tribunal as to how they wish this matter dealt with. But it would not be right to press the details of these matters of maintenance with Mr. James.

(*President*): Well, we had better see how far Mr. Lawrence desires to go.

543. (*Mr. Geoffrey Lawrence*): May I help? I do not think it is necessary for this witness. All this is rather preliminary to the short point I am going to try and make with you, Mr. James. It is this: In this Public Inquiry we are dealing with a comparatively small increase compared with what we have had to face in the past, are we not? The sums involved are smaller? —Yes. Are you referring, Mr. Lawrence, to an increase in fares or an increase in costs?

544. I am referring to an overall view of the whole thing, because an increase in costs and increase in fares are tied together and we are dealing with comparatively small sums, and I want to follow that up by asking you if you can tell me as a fact, as a result of the Chambers Committee's findings on the topics that I have mentioned (the high level of maintenance and garages costs), is there any target of savings in London Transport which is at all analogous to the £15m. target of economies which have been put forward as likely to be achieved or hoped to be achieved on British Railways?—No: certain lines of saving are being pursued, not as a result of the Chambers Report, but as the result of the normal development of our ideas. But there is no target in the sense of the £15m. that Mr. Winchester quoted to you.

545. Are those ideas of your own, independent of the Chambers Report, related to the maintenance and garage costs?—Yes.

546. Would it be indelicate to enquire what is the area, at any rate, of the economies which you hope to make in that direction?—It is hoped to make certain economies, reductions of cost in the garages as the result of intensive bonus working. It is a matter which is under negotiation at the moment.

547. It would have to be, I suppose, with the Trade Unions concerned?—It is under negotiation with the Unions.

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Mr. PHILIP GAVEED JAMES

[Continued]

548. I will not ask any questions that would make that matter more difficult—I have made an allowance in respect of it in my "B" year estimates.

549. Where do I find that?—You find it as part of the global figure for maintenance. You will not find it specifically set out.

550. Would it embarrass you very much if I asked you what it was?—No. I put £30,000 in for it.

551. £30,000 for "B" year?—For "B" year.

552. Is that maintenance and garage, or garages only?—Garages.

553. Is there anything for reduced maintenance?—There is a reduction in maintenance costs because of the reduction in the fleet of vehicles.

554. That is another matter, but I was talking about maintenance costs per vehicle mile?—I would rather not express it in per vehicle miles for the moment. Arriving at the estimated cost of maintenance in "B" year, I have taken account of the fact that the overall of bus units is now costing somewhat less than it did a year or two ago, and I have allowed for that fact.

555. How much?—That is much more difficult to give you a precise quantification, but I think I can give you a figure: about £100,000.

556. Are those figures of £30,000 and £100,000 thought to be likely to increase in, say, "B" year, the year following "B" year?—Possibly. I am only looking, at the moment, to "B" year.

557. If the view of the Chambers Committee is correct about that, your maintenance and garage costs as being objectively, as a matter of fact, unnecessarily high for whatever reason or reasons, then savings of the order you have mentioned are a very disappointing response by the London Transport, are they not?—On the assumption on which you base that question, which I do not necessarily accept, yes.

558. No, I quite follow that, Mr. James. This being, as you see, a Public Inquiry, and the Chambers Committee Report having been a public document, it may be, as you will understand, when asked to pay higher fares, the London public will want to know what the London Transport Executive is doing about the two points on which the Committee found they were vulnerable?—Yes.

559. You follow that, do you not?—Yes.

560. What I see you have done from BTC 3, is that in Column B, Item No. 6, you have added £400,000 in "B" year over 1954 by way of increased expenditure on maintenance?—Yes.

561. That is so, is it not?—Yes.

562. So that, so far as maintenance is concerned in "B" year, instead of seeing any noticeable reduction, we see £400,000 increase?—Yes, but I did mention in evidence-in-chief last week, Mr. Lawrence—

563. You did, and I have this well in mind, and I was going to refer to your answer. Would you like to have the text of it or would you prefer to repeat it in your own words now? It is question 243, your answer to my learned friend Mr. Willis's question: "We see the resulting position shown in line 5. Line 6, Mr. James, shows the variation in maintenance expenditure between the two years of £0-4m? (A.) Yes. In 1954, partly because of staff shortage and partly because of the delay in the construction of the new bus overhaul works at Aldenham, maintenance generally fell behind schedule and we underspent our budget by quite a considerable amount in 1954. I said earlier on that we were not expecting any great difference as between 'Z' year and 'B' year, and in making comparisons between 1954 and 'B' year the under-spending in 1954 is assumed to be overtaken. There will be still a smaller expenditure on maintenance of buses and coaches in 'B' year than we had originally expected in 1954, but there is some increase in maintenance expenditure on the railways. But the main reason for this increase between 'B' year and 1954 is that, for the reasons I mentioned, 1954 was an abnormally low year for expenditure." Do you wish to add anything before I ask you questions about that?—I think not, thank you.

564. It is clear that part of the reason for the under-spending of the budget was the lack of staff. That would be, I suppose, maintenance staff, would it not?—I think a more important reason was not the shortage of staff,

but the shortage of facilities at Aldenham and Chiswick works which we had assumed in our 1954 budget and that in our "Z" year estimates would have been further advanced than proved to be the case.

565. The only reason I asked you first about staff shortage was because that was the first reason that you gave. It is a reason, is it not?—It is a reason, yes.

566. Would you be good enough to tell us this about it. In "B" year is there any prospect of your having made up the shortages of staff that led to underspending in 1954?—No, because the shortages of staff at the garages will take care of the staff savings which we shall have to make to achieve the economies resulting from mileage cuts.

567. If you are short of staff in 1954 and underspend your budget and you do not replace that staff in "B" year, you still will not be able to spend the 1954 budget, will you? Or will you?—Yes. May I point out that we have "maintenance" appearing at two points in this exhibit which we are discussing, BTC 3. In line 6 we dealt with maintenance without any regard whatsoever to the savings that would arise as the result in the reduction in mileage and the consequential reduction in the fleet. In line 6 we have assumed that we should have had the staff to carry out the normal programme of maintenance. In line 9 we have made an allowance for a saving as the result of the withdrawal of vehicles from service in consequence of mileage cuts. In fact, in 1954, we did not have enough staff to carry out our full maintenance programme. In "B" year we shall have enough staff to carry out the reduced programme, which takes account of the figure of £0-4m. appearing in Item 6, and the maintenance saving which is brought to account in Item 9.

568. Then if I follow that, it means, does it not, that what I have to do is not merely to look at the additional £0-4m., but I have to look at the same time at the savings of £1-5m.?—To get the whole maintenance figure, that is quite correct.

569. To get the maintenance figure, because what you are saying really is that this is really a method of presentation and it does not really mean that in "B" year we are going to spend £400,000 more on maintenance than we spent in 1954?—That is quite true. The object of this method of presentation was to bring in the whole mileage and its effect.

570. I will have another question to ask you about the method of presentation of this Table; but on the face of it, and if I may say so, on the face of your answer to my learned friend Mr. Willis, "We underspent our budget in 1954 and therefore put it back in 'X' year" would you detect in that echoes of the Government Department: "Well, we did not spend half a million because we did not need it this year; but for goodness sake put it in our next year's allowance or we won't get it again"?—I might have detected it if I had not had the benefit of reading BTC 3, where the words are entirely clear.

571. It was your explanation of BTC 3, and had you left BTC 3 alone I might not have asked you these questions, but it was your gloss on it that has given rise to this?—I am sorry if I misled you.

572. On the question of shortages I will ask you in more detail in a moment, but is there any likelihood that in "B" year you will again suffer the experience that you suffered in 1954, that partly by reason of staff shortage you would underspend your budget, that is to say, your "B" year budget?—Not in "B" year, I think.

573. Are you not suffering from a continuing unarrested wastage of staff?—I think I can best answer that by saying that in the early months of this year I was underspending my maintenance budget; that underspending has increased and I am now very nearly on budget and I do not see any reason why I should not remain on budget throughout "B" year.

574. Does that mean you have overtaken your leeway or that you are merely up to your monthly figure?—I am up to my monthly figure, or very nearly up to my monthly figure, and "B" year is a year which is beginning a bad year.

575. Well, I hear what you say. In 12 months' time we shall all be wiser in the light of experience, and see what has happened. Let me leave that with this question.

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MR. PHILIP GAVEED JAMES

[Continued]

I am sure you realise, do you not, that this question of savings on your maintenance and garage costs, which are internal matters for London Transport, is pretty well bound to be raised if we meet again in 12 months' time or thereabouts?—Yes.

576. Let me pass to something else. As an introduction to it, would you look at your answer to question 115, which is on Page 11 of the first day's transcript. Mr. Willis put this question to you: "As I indicated to the Tribunal this morning, Mr. James, the basis of the present application so far as London Transport is concerned is the worsening of the financial position since the 1954 charges scheme was submitted a year ago?—Yes, the worsening as compared with "Z" year as we saw it at that time."—Yes.

577. Then if you look on to Question 121, "£5-9m. expected in "Z" year; £3-3m. expected in "B" year?—Yes, a worsening between the two of £2-6m." That is merely quantifying the worsening?—That is so.

578. And that, as I understand it, is a figure which is derived primarily in this way, looking back—and I need not ask the Tribunal and others to take time in doing it because I am sure you will know the figures—to BTC 702, Item 3, the yield before the 1954 increases was £2-2m., the yield of the approved increases was put at £3-7m., and that gave you the £5-9m., which was the figure that started off the question 121?—Yes.

579. That is right, is it not?—That is right.

580. On BTC 2 this year, Line 3 gives us the operative figure to be offset against the £5-9m.?—Yes.

581. And the answer is £2-6m.?—Yes.

582. Therefore this application in effect is to approve alterations to the existing scheme which will, or are estimated to, yield £2-6m.?—Yes. I think it is perhaps fortuitous that the two figures necessarily come out at precisely the same answer.

583. Yes, I follow that. The causes of that deterioration to the extent of £2-6m., as I understand it, may be seen in BTC 3?—Yes.

584. And in the answers that you gave in your evidence in chief, and particularly your answer, the first of a general kind which was later amplified at Question 126. May I just refer you to it: "I want you to deal, Mr. James, with the causes of this worsening. (A) Yes, there are three main causes; and the first is a substantial increase in wages rates for practically the whole of the London Transport staff, effective from about the beginning of 1955, which will cost the £3-2m. in a full year." That is the first main cause, is it not?—Yes.

585. "There has also since "Z" year been a fall of traffic receipts, which is estimated at £1-8m.". That is the second main cause?—Yes.

586. "Those two adverse factors together account for a deterioration of £5m., but because of the fall in traffic, total mileage has been substantially reduced as compared with "Z" year and economies estimated to be worth £2-3m. a year, that is the £0-5m., more than the fall in traffic, are to be made in "B" year."—Yes.

587. Is that the third main cause, because I did not detect elsewhere a main cause for deterioration?—Yes, those are the three points.

588. And as you have pointed out, that is a calculation which starts off with an increase of wages of £3-2m., adds to that a fall in receipts of £1-8m.?—Yes.

589. And finds therefore a total gross worsening, if I can use that phrase, of £5m., and then sets off against that the saving of £2-3m.?—Yes.

590. The odd £0-1m. being adjusted afterwards by way of an increase in advertising revenue?—Yes, that is a separate item.

591. It brings the figure to £2-6m. Now may I see whether that could be put in another way. If you look at Question 168, I think you will agree with what I am going to put to you. You see you were asked in Question 168: "Does that represent a net increase of £0-9m. over the estimated working expenses of "Z" year?—Yes, it does." The net increase of working expenses of £0-9m. is the difference between your figure of £3-2m. increase in wages and your figure of £2-3m. for savings, is it not?

(Mr. Harold Willis): £0-9m. is in the second column of BTC 3.

(*The Witness*): We seem to me to be dealing in different years, Mr. Lawrence.

592. (Mr. Geoffrey Lawrence): No, I do not think we are, Mr. James. Let me just put it. Never mind about looking at the exhibits or the transcript at the moment, let me just ask you this: You start off with an increase of wages of £3-2m.?—Yes.

593. And after various additions and subtractions in "B" year for certain other comparatively small matters, you still get a gross increase in your costs, the bulk of which is wages, of £3-2m.?—Yes.

594. The savings are £2-3m.?—Yes.

595. And the difference between those two figures is £0-9m.?—Yes, I am sorry; I failed to follow you the first time. The other items in working expenses of course all offset one another.

596. What I am coming to is this, it is only by adding to the £0-9m. the figure of £1-8m. fall in receipts that you get the total worsening of your position quantified at £2-6m.?—Yes.

597. Is it not?—Yes.

598. And that fall in receipts of £1-8m. would have occurred if wages had remained static and all other costs had remained stationary?—Yes.

(Mr. Poole): I am not quite clear on one thing, Mr. Lawrence. Is the £1-8m. not dependent in some measure upon the £2-3m. (in Line 9 it is £2-3m.) saving arising from mileage reduction, and 12 is changes in volume of traffic. You would not have one without the other, would you?

(Mr. Geoffrey Lawrence): I am not sure, Sir, whether you would.

(President): It depends whether it is the hen or the egg, does it not? Presumably there will be mileage reductions if traffic drops off.

(Mr. Geoffrey Lawrence): Yes, of course.

(President): The two things will be interacting, will they not?

599. (Mr. Geoffrey Lawrence): I do not think we have really parted company yet, Mr. James. Look at Question 176, please. You are going on in that part of your evidence, I think, to show the causes by reference to BTC 3, of the deterioration in working expenses?—Yes.

600. And this really is in amplification of the general answer that you gave at 126 that I have just read?—Yes.

601. Let us see what you said: "Would you take them in order as they appear on BTC 3?—(A) Yes. Taking first Line 1, increase in wages rates, £3-2m. There were a number of minor wage increases in 1954 after the "Z" year estimates had been completed and submitted to the Tribunal. The annual cost of those increases was about £60,000, but the main cause of this increase of £3-2m. shown in Item 1 is the increase in wages rates which were granted to substantially the whole of the London Transport staff, effective from about the beginning of 1955. The increases in basic rates varied from grade to grade, but weighted for the numbers in various grades and taking account of the 89,000 staff concerned, the estimated cost of the 1955 increases in a full year is under £3-2m. Adding together the £60,000 for the minor increases and the major item of the 1955 increases, I get £3-2m., as the cost of the wage increases which have been granted since the "Z" year estimates were submitted."—Yes.

602. Then Mr. Willis said: "Representing the extra burden of wages which will have to be paid in "B" year which were not taken into account in "Z" year?" and your answer to that was "Yes"?—Yes.

603. I want to go into that answer with your help for a little while, if I may, and to ask you whether in actual fact that is correct. Let me begin by asking you about the £3-2m.?—Yes.

604. Which appears as Item No. 1 on this BTC 3. That is a figure of calculated additional wages, is it not, based on the assumption that there will be the same volume of employment in "B" year as in "Z" year?—No. That £3-2m. is calculated in relation to the staff existing at the time the wages increases were granted. And in fact that is a substantially lower number of staff than was assumed for the purpose of "Z" year.

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605. Yes, I see that, and your 89,000 given in that answer "staff concerned" is a figure operative at the beginning of 1955?—Yes.

606. January?—Yes, January.

607. So that the £3·2m., then, is a figure calculated on the assumption that that volume of employment will be maintained throughout either "B" year or 1955?—Yes.

608. In fact the volume of employment has been steadily falling, has it not, from year to year, over the last 3 or 4 years?—Yes.

609. I have been given some figures which have been taken from the Transport Statistics on this topic. At the 27th March, 1955, which is the most recent date, I have been given an extracted figure of 89,310 and the figure that I have been supplied with as being the employment on the 25th January, 1953, which is slightly more than 2 years before that, was 96,809?—I can agree the first figure, Mr. Lawrence; the second I have not by me.

610. Unless a mistake has been made in the extraction, it comes from Transport Statistics 1953?—It is of the right order of magnitude.

611. It is a fact, is it not, that over the years there has been this wastage of staff which has continued and is continuing?—Yes.

612. So much so that it was already mentioned, I think, by Mr. McKenna that there were certain irregularities of service, certainly on the central buses, which was leading to loss of possible revenue?—Yes.

613. That figure of £3·2m., based, as I now know it is from what you have told me, upon the assumption of a maintained volume of employment as at January, 1955, is not a figure therefore which contains any reflection of possible further wastage of manpower during the year for which it is estimated?—No, but you see the staff in relation to which this calculation was made was very much below the staff required to work the scheduled services at January, 1955, and we were not in fact operating the whole of the services. We set about cutting out mileage in various stages from January 1955 onwards, and we have allowed in these estimates for the savings which will accrue. The staff savings take account, I think, of this point you are raising, Mr. Lawrence.

614. That brings me to the second point I was going to take up with you in relation to this £3·2m., and that is that in "B" year, or 1955, the same mileage will not be run, will it, as in 1954?—No, less mileage than in 1954.

615. And that was made quite clear, if I may say so, by your evidence that followed. You draw attention in Question 198 to BTC 21, which gives me the figures of reduced car mileage for "B" year and 1955, and the figure, the net figure was 22·6 million car miles as being the saving on which you calculated the figure put into the Table BTC 3—

(President): 22 what?

616. (Mr. Geoffrey Lawrence): 22·6m. car miles. That is at the end of Question 198. It is in relation to that reduction of 22·6m. car miles that the saving which I have shown in BTC 3 has been calculated?—Yes.

617—622. Then you went on, on page 14 of the transcript, to explain what that meant. Look at Question 204.

"Do the mileage changes to which you have just referred affect direct operating expenses?—(A) Yes. (Q) And do they also, in so far as they result in changes in the number of vehicles in service, affect both maintenance and depreciation?—(A) Yes."

Then in Question 207 you talk about a complete re-casting of schedules. Just look at the next three questions and answers:

"What would be the result of that re-scheduling?—(A) That we shall be able to withdraw from service 312 buses and 138 trolley buses: that is a total of 450 vehicles with, of course, the associated crews that I have already allowed for. (Q) In that way you also produce, apart from the savings on the crew, savings in maintenance and cleaning costs, licensed vehicle duty and depreciation?—(A) Yes. (Q) Can you give us the figure of maintenance savings arising from that?—(A) Yes, I did not give you a figure of operating

savings which perhaps I might mention. The direct operating savings, including the licensed vehicle duty arising from the mileage cuts, are estimated at £1,950,000 in a full year. The savings in maintenance are estimated at £315,000 in a full year, and the savings in depreciations at £60,000. The total of those three items is £2,325,000 a year, which appears as £2·3m. at Line 9 of Exhibit BTC 3."

That is the factual position, is it not, as you have set it out there?—Yes.

623. Does all that not mean just this, and no more than this: although wages have gone up, the actual additional amount in respect of wages in "B" year or 1955, which London Transport have to find, is only £0·9m.?—You arrive at that figure by deducting £2·3m. savings in mileage from £3·2m.

624. Yes?—That is the net change in working expenses.

625. It is rather more than that for my purpose, if you will allow me to put it this way for your consideration. You see, I am looking at it from the angle of the employer, London Transport. He says to himself: "Well, there is the Award; I have to pay the increases. Now I am budgeting for the year immediately following these increases. It may be that whatever it is going to cost me by way of these increases, I can get from some third party. For how much have I to dip into my pocket by way of actual additional amount in respect of these wage awards?" Do you follow that line of thought?—I follow that, but I would not expect anybody's reasoning to stop there. He would say: "I have these increases to deal with, but I also have to deal with all my other working expenses and where is the money coming from to pay for those; it's gone short to the extent of £1·8m."

626. I know, but I am dealing at the moment with increased wages which was one of the basic conditions, as you know, for the application of the section 23 procedure, in increase of cost.

627. What I am trying to get from you, and I hope it is clear, is this: It does not affect the fact of your fall in receipts in the slightest, I am not laying an elaborate trap for you; what I am trying to get from you is this and only this, that the extra additional amount that London Transport have had to find out of their own pockets to pay by way of increased wages is only in fact £0·9m.?—Yes. We have said in Line 10 of BTC 3 that the net increase in working expenses is £0·9m.

628. And it appears originally as £3·2m. merely as a method of presentation on the Table?—Yes; well, I cannot help feeling no one would thank me for a table of one line which added up to £0·9m.

629. Knowing my clients, I am sure they would at once ask you for the details. I am not complaining that we have it here. I want to get to the reality of the position. That is only another way of saying that your total worsening in your financial position that you are hoping to restore by means of this Application is only partly due to an increase of cost or working expenses?—I agree.

630. Having reached that stage of the matter, will you forgive me if I ask you one or two questions about a matter which has puzzled me not only on this occasion, but on previous occasions, and that is the information which is handed out by the Commission to the Press in the form of a preliminary Press statement before we have any of your exhibits or evidence at the Public Inquiry. Particularly this year, I am sure you will understand this, Mr. James, until we came to this hall a week ago the Press statement was naturally the only piece of paper we had to work on?—Yes.

631. Not only we, but all the fare-paying public as well. I am not going to take up a lot of time over this, but I do draw your attention to the passage that begins in that statement "Reasons for the present applications". In order to understand the material parts that come later on I had better read the whole of it. "The Commission's railway freight, dock and canal charges were last increased (by 10 per cent.) on March 1st, 1954, following an application in December, 1953. This took into account the increase of 4s. a week granted by the Railway Staff National Tribunal in December, 1953, but further substantial increases in wages and salaries were granted to railway staff in January and October, 1954, and again in

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January, 1955. These three subsequent agreements, together with those for other sections of the Commission's staff, have already increased the total wages costs as shown below:—January, 1954, £10m., increased cost; October, 1954, £8m.; January, 1955, £22m.; total, £40m. During 1954, increases also took place in the prices paid by the Commission for coal (£33m.), and other commodities. In the result, although the Commission achieved a final net surplus of £4.2m. in 1953, the increased labour costs which began to operate in stages during 1954 made a deficit in the latter year inevitable. The official accounts have not yet been submitted to the Minister, but the deficit for 1954 is expected to approach £15m. Now follow two paragraphs that deal exclusively as far as I can see with London Transport. May we just read those carefully. "In the case of London Transport, increased annual costs have to be borne which amount to £3.3m. in a full year. Nearly all of these increased costs arise from wage settlements which have recently been made. The London Transport fare increases are estimated to yield £2.6m. per annum. This sum is less than the increases in London Transport's costs, since some part of the increases is being absorbed by economies. Were it not for these savings and more efficient operation, the rise in fares would, of necessity, be greater." Then it goes on to talk about the £15m. target of economy on British Railways?—Yes.

632. Those two paragraphs in the case of London Transport are very difficult to reconcile, are they not, with the case that has been presented by the Commission at this Public Inquiry?—I do not think so. They talk about an increase in costs, which means in that context an increase in wages rates and an increase in the price of materials and other things of that kind.

633. Look at the wording of it: "In the case of London Transport increased annual costs have to be borne which amount to £3.3m. in a full year." I am not going to quarrel about the odd decimal point there. That is a statement that that amount of costs has to be paid out, borne by London Transport, is it not?—Yes.

634. And then it goes on to say what the origin of it is, wage settlements, and then says: "The London Transport fare increases are estimated to yield £2.6m. per annum less than the increase in costs"?—Yes.

635. Nobody would suppose, would they, from reading those two paragraphs—and here I will leave it after having had your answer—nobody would suppose for one moment that the true picture was this, that the net figure of extra working expenses by way of increased wages for which the London Transport were liable was only £0.9m. and that a much larger item that was putting them into a position of deterioration was fall in traffic receipts, and nobody would suppose that all that the London Transport

fare-paying passenger was asked to pay was an amount by way of extra fares totalling £2.5m., which was enough exactly to cover the real total worsening of the financial position. Nobody would suppose that was the truth for a moment by reading these two paragraphs, would they? Or do you think so?—I think, reading these two paragraphs alone, they would have been much less fully informed than we are here, but I do not think there is anything wrong in this presentation.

636. Much less fully informed; there is an old Greek word which I learned many years ago, called "myosis" or understatement; have you ever heard of that?—I am sorry, I never learned Greek.

637. So we really do come to this, do we not, setting aside that Press statement—for which, of course, I do not impute responsibility; I do not know who gets out those from year to year—we have reached the position that the Section 23 emergency procedure, subject to a submission I shall make hereafter, was invoked by a real increase of costs of just under £1m.?—I do not think that can be so, and I am not at all sure I can deal with that question. You are now taxing me with interpretations of the fact which could not possibly be my province.

638. I did not want to do that. I only wanted to get at the facts; but I think I have it already, the rest is argument. Mr. James, I think the rest of what I have to ask by way of question is really for Mr. McKenna, so I do not really need to trouble you any more, except that I have just been supplied with one figure of employment. Do you remember I put to you a March figure, 27th March, taken from your Statistics, of 89,310?—Yes.

(President): Which number are you looking at.

(Mr. Geoffrey Lawrence): I am told that it is No. 3.

(Mr. Harold Willis): We can agree that figure you put to Mr. James for 1953.

639. (Mr. Geoffrey Lawrence): There is one intermediate figure I want to put, and that is the figure for January, 1955, the 2nd January, that is really the beginning of the year, and that is in No. 13 of the 1954 series?—It is also, Mr. Lawrence, in the third column of the Table you have already put to me.

640. The figure, wherever we may find it, is 90,448?—Yes.

(President): That is the third column on Table 2.

641. (Mr. Geoffrey Lawrence): So that there had been a fall away of numbers employed between the beginning of January and the end of March of 1955?—Yes.

(Mr. Dudley Collard): I do not desire to cross-examine this witness.

(Adjourned for a short time.)

Cross-examined by Mr. RIPPON.

642. (Mr. Rippon): Before I start, with the leave of the Tribunal I would like to adopt the cross-examination of my learned friend Mr. Lawrence, particularly in respect of his detailed examination of BTC 3. (*To the Witness*): Now, Mr. James, as you are not, as I imagine, the appropriate witness to deal with questions about the Chambers Committee, I will not trouble you on that particular matter, except in one respect. On page 81 of the Report it says that "Mr. James is concerned wholly with finance and with accounts and with the profitability"; is it right to say that you are not concerned with management at all, in the commercial sense?—I think that would be right. The Management is vested in the Executive as a body. I am the Chief Financial Officer.

643. When it says that you are concerned with profitability, it means you are concerned with profitability as an accountancy rather than a commercial problem?—Yes.

644. On page 83, paragraph 345, it says in the concluding sentence "There is no general manager for the road services or general manager for the rail services"?—Yes.

645. But you have, in Mr. McKenna, a Chief Commercial Officer?—Yes.

646. Would I be right in putting questions to Mr. McKenna on matters that arise in the Chambers Report, out of general fare structure, interchange points, inter-availability of tickets, and the possibility of extending the system of special contracts? Would I be right in putting those matters to Mr. McKenna?—I think Mr. McKenna could help on those things.

647. Am I right in thinking that there is no one whom we can ask about maintenance costs?—I think it would be difficult to ask any of the witnesses who have appeared for any technical information about maintenance.

648. What official of the LTE is responsible for those maintenance costs as you have no general managers?—There would be three or four chief officers concerned: the Chief Mechanical Engineer, road services; the Chief Mechanical Engineer, railway services; the Chief Civil Engineer, the Chief Electrical Engineer, and to some extent the Architect.

649. To whom do they report?—They report to various members of the Executive. As you have the Chambers Report, the lines of reporting are set out quite clearly in Appendix 3 to the report. You will find there the Chief Civil Engineer—

650. He would report to the Deputy Chairman?—No, to Mr. Grainger. The Architect and Chief Electrical Engineer and the Chief Mechanical Engineer, railways, would report to Mr. Grainger, and the Chief Mechanical Engineer, road services, would report to Mr. Hawkins.

651. That means, as far as some parts of the maintenance costs are concerned, the report is made to Mr. Grainger and, as far as the others are concerned, the report is made to Mr. Hawkins?—Yes.

652. I understand, as far as sub-standards are concerned, that it is not the present policy of the Executive to increase them? I do not want to ask you to comment on that policy, because I imagine that is not your province; but

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can you say what headroom would be available to the LTE if those sub-standards were increased? We were given a figure, I believe, at the last Inquiry of the order of about £1.4m.; what would be the position today?—I think that is about the order of the figure. If I might suggest it, you would get a more correct answer if you asked Mr. McKenna that particular point.

653. But I put it to you as a matter, perhaps, of profitability, with which you would be interested as Chief Financial Officer?—I have said that I think your figure is about right; but I think you should check it.

654. I have just a few questions on the subject of capital expenditure on the LTE. Have you any figures for the new capital expenditure, say for 1954, 1955 and 1956?—I have some figures for 1954. The net capital expenditure in 1954—that is the amount chargeable to capital after deducting the book value of displaced assets—was £8,843,000.

655. And for 1955?—I have not a precise figure in mind for 1955, but it would probably be a little more than that.

656. Is it tending to rise again in 1956?—No, not from any projects that we have in mind at the moment. 1955 and 1956 are not likely to be years of heavy capital expenditure, provided that no start is made on the construction of route C.

657. Have you a plan for modernisation and re-equipment which is comparable to British Railways, which was spoken about by Mr. Winchester this morning?—No. We have carried out a very extensive modernisation of our equipment already since the war, and we have not the same sort of problem which British Railways have and which is causing them to put forward the plan that was spoken about this morning.

658. Your capital expenditure does not relate to new projects rather than to catching up on arrears?—Largely, yes; subject to the replacement of trolley buses in a few years' time; but that is hardly catching up on arrears.

659. You presumably expect to get some return on that new capital invested?—In so far as capital expenditure relating to replacement of rolling stock, or the replacement of assets bought many years ago, is concerned, we should not necessarily get any net return because we have to finance the difference between current replacement costs and the original costs possibly 20 or 30 years ago. We have no major projects of a development character in hand at the moment which would be likely to produce a net increase in our revenue.

660. I have just a few questions on the subject of staff. I do not want to cover the ground already travelled by Mr. Lawrence, but am I right in thinking that the increase of £3.2m. in respect of wages is based upon maintaining the number of employees as at January, 1955?—Yes. Could I expand a little? It is based on the number of employees in receipt of pay in January, 1955. The number of employees in receipt of pay in January, 1955, was considerably less than the establishment of employees at that time. We shall be reducing the establishment as we give effect to the cuts in mileages which are allowed for in our estimates for "B" year. So that the staff, in relation to

whom we have calculated £3.2m., approximates very closely to the number of staff we expect to have in "B" year.

661. (President): Are the figures in Transport Statistics establishment or payroll?—They are staff on books, Sir; they include staff who are not in receipt of pay.

(President): They include those who are not in receipt of pay; thank you.

662. (Mr. Rippon): I have got, Mr. James—I do not know whether it is the right one—the Transport Statistics, 1954, series, No. 13?—I beg your pardon; I have given you the wrong information; they are staff in receipt of pay.

663. The figure there as the number of employees at the beginning of the period to the 2nd January, 1955, was 90,959?—I am sorry; which number is it?

664. 1954 series, No. 13, the period to the 2nd January, 1955.

(President): It is 90,448 in my copy.

665. (Mr. Rippon): That is at the end of the period. It is the first three columns, the number of employees at the beginning of the period?—90,959.

666. Is that the figure on which you have worked, or the figure of 90,448?—No, I worked that figure on a staff total of 89,937, with a small allowance for 182 staff in respect of whom claims were outstanding. So it is about 90,100.

667. The £3.2m. increase relates to a staff of 89,937?—Yes, that is right?—88,937.

668. What is the establishment figure?—At that time we were short in the establishment by about 4,900 people.

669. (President): But, Mr. James, where are you taking that figure of 88,000 odd from?—I am taking it from the domestic statement of which we supplied a copy to the L.C.C. at their request.

670. (Mr. Rippon): My friend has been good enough to give me that statement. There is very little difference between that figure and the figure in the public statistics. Is there any reason why the public statistics should vary from the statistics on which you actually work?—Yes; the public statistics are taken on one day; the calculations of the cost of wage increases are taken at a variety of days when these increases are incurred.

671. Where is this shortage of 4,900 people to be found?—In the drivers and conductors on the road services?

672. In the figure at that time of about 49,983?—Yes.

673. You do not expect to replace them?—No, I do not say we do not expect to replace some of them; but we do expect to replace the whole of that shortage, because we shall not require all of them. Some small part has to be replaced, and we are doing all we can to prevent our numbers falling any lower.

674. But you anticipate that reduction in costs due to the reduced number of passenger miles?—Not of passenger miles, but of car miles. We are reducing the car miles because the passenger miles have fallen. The car miles have immediately produced the reduction in staff.

Cross-examined by Mr. MERCER.

675. If I may, I would like to ask you a few questions. The first is about a figure which I think does not appear in the exhibits and it concerns a matter that you have spoken about yourself at previous Inquiries, also a matter in connection with which the Chambers Committee were concerned, though it does not, in fact, appear in Volume 1 of their Report. It is the matter of the sum estimated or set aside for experimentation?—Yes. I have no idea what appears in Volume 2 of the Chambers Committee Report because it has not been published, but I may be able to give you information about experimentation.

676. You would be familiar with the evidence given before the Committee and, if I may make it clearer, there was some discussion in connection with the operating factors which are the operating factors affecting receipts of London Transport and are the subject of their deliberation in Chapter 9. As I remember it the Committee were enquiring about experiments which had been made from time to time in the past with a view to trying different procedures of operation and with a view to reducing costs. Has any sum been set aside in connection

with that activity in "B" year?—I am sorry, but I do not quite follow the question. If I may try to interpret it, I think the point is whether we made any specific provision for the examination of alternative methods of handling traffic.

677. You appear to have interpreted it very well?—No, we have made no specific provision for that; it is the normal part of the job of the operating department and would be allowed for in their departmental budgets.

678. Did you know that during the course of questioning your witnesses the view was expressed that some of the experiments were perhaps too short? That further consideration should, perhaps, have been given to the matter of these experiments with a view perhaps to reducing costs, or were you not aware of these?—I have not even in mind the sort of experiments to which you are referring. Are you referring to cheap fares, or some method of operating?

679. I am referring to the one man bus and that type of operation which was the subject of discussion before

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the Committee?—This is a point which perhaps Mr. McKenna may deal with more adequately, but I can say the one-man bus is being used where it is appropriate, although there is only a very limited possibility of use for that vehicle.

680. I am simply endeavouring to ascertain whether there was any specific provision so far as finance was concerned?—I do not think it required a specific provision.

(President): Are you going to suggest an additional cost for which the increases as they stand will not provide?

681. (Mr. Mercer): I suggest a little spent that way might save a lot out of the fare paying passengers' pockets: I do not know, but I suggest it may be relevant in these considerations. I would like then, Mr. James, if I may, to refer to your answer to question 208 with respect to the rescheduling which you indicated follows the withdrawal from service of certain vehicles. You said that you will be withdrawing from service 312 buses and 138 trolley buses; that is a total of 450 vehicles. Would my arithmetic be approximately right if I suggested that of the total of 450 vehicles, 30 per cent. of them were trolley buses?—Yes.

682. On page 214 of the last Annual Report to which I have access—that is the report for 1953—table H 22, London Transport car miles, I think it shows, does it not, that there were 350,478 buses and coaches, including the remainder of the trams, in service—in passenger service. Would that be correct?—Are you referring to the car mileage which appears at the top of page 22?

683. 350,478 it would be?—Yes; that is car mileage run on passenger services, by buses and coaches in the year 1953.

Re-examined by Mr. HAROLD WILLIS.

692. Mr. James, may we just go back for a minute or two to your cross-examination by my learned friend Mr. Geoffrey Lawrence. He asked you some questions on BTC 3?—Yes.

693. The object of BTC 3 is to show the worsening of the position of the London Transport in relation to "Z" year and 1954. The position which appears on line 16, the total worsening of the financial position, is built up from two factors, namely the increase in the working expenses and the reduction in the receipts. You cannot get at the final figure in line 16 without taking both those factors into account?—No, you must look at both sides of your account.

694. And it is therefore quite wrong, is it not, to stop at line 10 without seeing whether there has been a change in the receipts which appear in the later lines?—I would have thought so. You could not possibly derive the final answer from line 10.

(Mr. Geoffrey Lawrence): It depends for what purpose you are seeking the answer.

695. (Mr. Harold Willis): If you are seeking to show on a table, Mr. James, as this does, the alteration in the financial position as between the position today and the position at two other periods, you must set all these factors out?—It is quite essential you should do so.

696. Now you were asked some questions in regard to staff.

(President): It is not right to say the table is designed to show the alteration between the position as it is today and the position as it was at an earlier date. So far as column (a) in BTC is concerned, the comparison is between what it is expected to be in the future and what it was expected to be at some date in the past.

(Mr. Harold Willis): I quite agree.

(President): To my mind, the figures which I feel are more easily capable of comprehension are the comparison between what it is expected to be in the future and what has actually happened in the past. I mean by that that I am much more interested in column (b) in BTC than in column (a).

697. (Mr. Harold Willis): It was for that reason that it was thought right that that column should be inserted, so that we do look at realities as well as previous expectations. (To the Witness): Mr. James, while we are dealing

684. Not vehicles, but car mileage. By comparison the trolley buses car miles, in passenger services, was 74,235?—Yes.

685. So that as between the two of them, if we add the two together, the car mileage devoted to trolley buses seems to be about 17 per cent. of the whole?—I will accept the arithmetic, yes.

686. What did seem to be a correct deduction was that a greater proportion of trolley buses were being withdrawn by comparison with buses; is that correct?—Yes; a greater proportion of trolley bus car mileage than bus car mileage being withdrawn.

687. Thank you; that is putting it more accurately. In pages 92 and 93 of the Report?—Is this the BTC Report?

688. The statement of Accounts, pages 92 and 93, table VI 5. It does appear that looking at working results, or working expenses, the service which made a surplus over expenses was the trolley bus service as against the others which they made deficits?—Yes.

689. I have not the 1954 Report; but does that position still apply?—In 1954 both of those services yielded a margin of net receipts, but the trolley bus figure was not very impressive and the bus figure showed a considerable improvement on 1953.

690. Let me get it clear, if I may, Mr. James. Comparing it with the previous year, perhaps we can have, can we, the net traffic receipts for buses and coaches?—You will recognise of course, there is always some difficulty in giving these figures here before they are published. The bus and coach net traffic receipts in 1954 were £1,247,000.

691. That was a plus?—Yes. The trolley buses were also a plus of £66,000.

(Mr. Mercer): Thank you, Mr. James.

with that aspect of it, it was suggested to you that the Press Report was in some way inaccurate or misleading: do you remember that?—Yes.

698. I do not know whether you have copies?—Yes.

699. Is it pertinent, when one is looking at this, to see that what was being stated to the Press there was in relation to past actual years rather than to a previous notional year?—Yes, it was.

700. In fact, what the public were being told, or the information they were being given, was what was in column (b) rather than what was in column (a)?—Yes: I think that is correct.

701. Because if we look at Column B we see that the net increase of working expenses compared with 1954 is a figure of £2.8m?—Yes.

702. You see that, and when we look at the last paragraph on this document we see "The London Transport fare increases are estimated to yield £2.6m. per annum. This sum is less than the increases in London Transport's costs", namely the £2.8m., "since some part of the increases is being absorbed by economies"?—Yes.

(Mr. Geoffrey Lawrence): With respect, that is not what the Statement says. It does not say £2.8m. It says it is £3.5m. Is that not right?

703. (Mr. Harold Willis): The statement says £3.3m., but I am pointing out that in column 3 you see £2.8m. and not £2.9m. Is it also pertinent to notice in Column B, Mr. James, that the variation, changes in volume of traffic between "B" year and 1954 are not 18 but only 0.3?—Yes.

704. Does it therefore seem to you if one is trying to put the thing in a short form for the purposes of the public without putting too many figures in, that that does pretty accurately show what column B shows on your BTC?—Yes, I think so.

705. So far as staff are concerned, Mr. James, you have told us that the estimate of 3.2 was based on the figure of the number of employees in receipt of pay in January, 1955?—Yes.

706. Was that the number upon which the schedule of routes and services for the "B" year were also calculated?—It was not the precise number because they were done at different times, but it is very close to it.

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[Continued]

707. And that is the number which it is anticipated will provide the revenue which is also shown on the estimates?—Yes.

708. If in fact you have to suffer loss of staff below that, that would of course have a saving in the wage bill, but it would also, would it not, have a corresponding reduction in the receipts, because you would have to reduce the services?—Two things would happen. If we had fewer staff than we provided for there would be some saving in wages; against that there would be an increase in cost

(*The witness withdrew.*)

MR. DAVID MCKENNA, recalled.

Cross-examined by MR. GEOFFREY LAWRENCE.

710. Mr. McKenna, may I begin by asking you some questions about this fall in passenger receipts in "B" year over the expectation in "Z" year or the actual in 1954?—Yes.

711. Would you allow me first of all to approach it with the necessary caution from the point of view of passenger journeys originating?—Yes.

712. I have been supplied with certain figures here in the form of a graph. I do not want to trouble you with that if we can reach some broad measure of agreement. Would it be right to say that the fall in passenger journeys originating from the beginning of January, 1950, to the 27th March, 1955, that is a period of slightly over five years, has been of the order of 10 per cent.?—Well, I have not your figures in front of me, but I think that would be about the right order. It is about 2 per cent. per annum, I think, broadly.

713. I am talking, of course, about London Transport, as you understand it?—London Transport, yes. I have a figure here of passenger journeys originating per head of population, which may be derived, no doubt, from the same figures as you are using, but at the same time relating to the population. The figure for the year 1950 is a figure of 458 passenger journeys per head and the figure for 1954, which is the last complete year, is 415.

714. Yes, that is approximately the same proportion. Would this also be true as a broad statement about that 5-year fall: the downward curve is found to be flattening out or even slightly increasing before each fares increase gave it a new downward plunge?—I would not like to answer that without some careful examination.

715. With each flattened level lower than the one immediately preceding it?—In every fare increase there is some loss of traffic implicit in the estimates that we have made.

716. I quite agree, because there are discounts and so forth.—So you would expect to have some loss of passenger journeys immediately following a fares increase.

717. Then after the initial public reaction you see it picking up again; is that the theory?—It may pick up again, but not necessarily, because the initial public reaction has worn off. There may be other reasons for the variation.

718. Would it be right to say in your experience and knowledge that this fall in passenger journeys is almost all at ordinary fares?

719. I suggest it would, because early mornings and season tickets remain fairly stable.—I think there is a certain loss at early morning fares as well. Season tickets, I think, have remained fairly stable.

720. Then perhaps I can repeat the question with a slightly altered emphasis to see whether that commends your agreement, that the major part of the fall has occurred on ordinary fares with some loss on early mornings and possibly none or only a little on season tickets?—I agree with that.

721. That is all I intended to put in the first place. With that introduction, I want your help in trying to find out, if we can, where the trouble really lies. Have you a copy of our tables that we put in at the adjournment?—I have, yes. That is the 401 series.

722. Would you be good enough to look at the London County Council 406?—Yes.

723. This is a comparison of the estimated revenue after the 1954 fares increases with the estimated revenue before the 1955 fares increases.—Yes.

in overtime and rest-day working in so far as we were able to cover the shortage of staff by additional overtime. There would be a further loss of receipts in so far as we were not able to work the mileage because we had no staff and because we lost traffic as the result of it.

709. So far as your estimates are concerned, you have based them on this number of staff in January, 1955, both for the expenses side on the one hand and the receipts on the other?—Yes, we have.

(*The witness withdrew.*)

MR. DAVID MCKENNA, recalled.

Cross-examined by MR. GEOFFREY LAWRENCE.

724. That means, I think, does it not, that it is a comparison of the estimates for "Z" year with the estimates for "B" year?—It is the comparison with estimates for "Z" year at the increased charges with the estimates for "Z" year at the old charges which are the post 1954 increases.

725. If we look at the first category which is ordinary fares, taking London Lines, first of all we see that London Lines were up on the 1955 figures by £0.232m., do we not?—Well, there is a difference between the two figures of £0.232m.

726. Yes, and the difference is by way of excess in the 1955 figure over the 1954?—Yes.

727. If you look along the table to the London Transport Executive you find there is a difference on London Transport rail services also by way of excess of £194,061, but on the central road services the difference is the other way.

728. And the estimated revenue in 1955 before the increases which are the subject of this Application is £1.7m. less than the estimate of receipts after the 1954 increases?—Yes, but we are comparing an estimate which was made at the end of 1953 with an estimate that is made at the beginning of 1955. Neither of those estimates are related to actual traffics.

729. No, I agree. These are comparisons. This is a Table which shows comparisons of estimates. Whether we call them estimates or actuals, the estimates are based on figures of actual travel, are they not?—At different times.

730. They are the London Transport's own estimates, are they not?—Yes, but at very different times.

731. I agree; they must be at different times in order to make even my humble comparisons possible, must they not?—They must, yes.

732. Now the total expected yield of the 1954 increases on the central road services was £1.78m., was it not? I think you will find that figure in BTC 810, Column 7?—On the central road?

(*Mr. Harold Willis*): You gave it as 810 before the alteration.

(*The Witness*): Was your question, Mr. Lawrence, the ordinary on the central roads?

733. (*Mr. Geoffrey Lawrence*): Yes?—The answer is 1.730.

(*Mr. Harold Willis*): That is the adjusted figure?

(*The Witness*): Yes, which was the same as on the original, 1,729,662.

734. (*Mr. Geoffrey Lawrence*): Yes, you are quite right; that was an amended figure, was it not?—It is an amended figure. It is on 810A. There was an amended figure because the resultant fares were rather different from those in the Application.

(*Mr. Poole*): Where does 810A appear? On what page?

735. (*Mr. Geoffrey Lawrence*): Page 312 of the Minutes of Evidence. (*To the Witness*): Before I go any further, Mr. McKenna, it has been drawn to my attention that our Table 406, as it says in Column 1 for ordinarys, includes the early morning backward journeys; and I think the figure given in BTC 810A did not?—That is right, yes.

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[Continued]

736. That was a confusing matter which, as far as I am concerned, was never wholly explained to me on the last occasion and I am not going into it now. But it does make a difference (although a slight difference) in the totals; and I want to be fair about that and draw your attention to it. With that caution in mind, it does look, does it not, as if on these estimates and so far as central road services only were concerned, the increase of fares sanctioned by the 1954 Scheme was, if not a wholly futile exercise, a comparatively unsuccessful one?—No, I would not agree that.

737. We see the figures on London County Council 406, do we not, between the 1954 estimate and the 1955 estimate?—Yes.

738. The 1954 estimate is an estimate of revenue that is going to come in after the 1954 Scheme had come into force?—Yes.

739. That is to say with the benefit of the 1954 fare increases?—Yes.

740. And that figure in the case of central road services is a total of £43.9m.?—Yes.

741. Now if we look and see your 1955 estimates before any further increase has taken place as a result of this Application—do you follow?—Yes.

742. —estimates which are based on a close watch at short intervals on actual traffics?—Yes.

743. —we see that the yield on central road services has declined as an estimated figure by £1.7m.?—Yes.

744. To put that another way, it shows that in the opinion of the estimator in 1955, with his knowledge of actual traffics, he was pitching his result at £1.7m. less than the same or some other estimator had pitched them when the 1954 estimate was made out?—Yes.

745. That shows, of course, does it not, that if the 1955 estimate is to be taken as at all approximating to reality, that the 1954 estimate was falsified to the tune of £1.7m.?—In this respect, yes.

746. And falsified underneath the line and not above the line, so to speak, debit and not credit?—Yes.

747. All I am pointing out to you is this: from the exhibits which were put forward at the Inquiry into the 1954 increases, which were estimated to produce this gross figure of £43.9m.?—Yes.

748. There was said to be a sum of £1.73m., or whatever the comparable figure is, taking into account the difference on backward journeys, as being the yield of the 1954 Scheme in respect of ordinary fares on central road services?—Yes.

749. When we come to 1955 and look at the estimate there, based on experience from time to time, we find that that figure has thrown away something like £1.7m.?—There is a difference between the two estimates of something like £1.7m.

750. And a difference by way of reduction?—Yes.

751. If, and so far as that figure of reduction approximates to the increased yield that was expected from the 1954 increases on ordinary fares on central road services, it follows, does it not, that that increase on those particular fares on those services was a futile exercise?—No, Mr. Lawrence, because I think it is important to see at what time during the year 1954 this reduction has taken place. Whether in fact there has been any reduction compared with the estimate before the fares were increased at the end of September, 1954, or whether the whole of the reduction has taken place after they were increased.

752. In fact the 1954 receipts, certainly up to the time of September, the first 8 or 9 months of the year, those receipts closely worked out to the budgeted estimates, did they not?—No, Mr. Lawrence, they were quite a long way out. Up to the 19th September, the week ended 19th September, the actual receipts were £807,000 below the estimate, or 1.6 per cent. below. Taking it a little further back, by the week ended 30th May, they were £315,000, that is the total London Transport—below the estimate or 1.1 per cent.

753. Are you talking about central road services?—No. I am talking about London Transport as a whole.

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754. I have not, I am afraid, got those figures that you quoted in front of me to check on what you say, but I must just follow this up with your help with a few figures. I suggest that that is wrong, and prior to the introduction of increased fares in September, 1954, there was no significant decline other than what you had already allowed for in the estimates. You had allowed a 1 per cent. figure, had you not?—We allowed approximately a 1 per cent. basic decline in traffic in the "Z" year estimate. As events turned out, by the 30th May, which you might say is just the beginning of the summer, there was a further decline of 1 per cent. in the actual compared with the "Z" year estimate. The "Z" year estimate was in fact over-optimistic at that time to the tune of about 1 per cent.

(President): I am surprised you do not remember these figures, Mr. Lawrence, we spent a long time on them. If you remember, Mr. Hill put in a Table suggesting that the estimate was incorrect and I think when we finally adjourned, we were hoping that Whitstable would be a good—or, according to the point of view, a bad—period and that we should have later figures. The actual exhibit for the budget up to Whit Monday, or just before Whit Monday was BTC 709 at the last Inquiry; I refer to budget as compared with actual.

(Mr. Harold Willis): Page 166.

(President): Of course, that was London Transport as a whole, not central road services.

755. (Mr. Geoffrey Lawrence): Yes, that was London Transport as a whole. (*To the Witness*): I will not press you on this because it is a matter for argument on these figures, but this Table 406, whether it shows that the attempt to increase central road services' ordinary fares in order to get increased revenue failed or not—and that is what we have parted company on at the moment—it certainly shows that when 1955 came along, whoever estimated the receipts from ordinary fares on these services had to trim the estimate on the same fare basis by £1.7m.?—Yes, except that in preparing the estimate for 1955 we did not build it up from the estimate of 1954. We built it up from the actual of 1954.

756. Of course you did, and that, if I may say so, reinforces my point. I am not suggesting that the estimator looked at the 1954 estimate and then knocked off a figure according to any formula or anything of that sort. What I am drawing attention to is that the figure of £42.23m. receipts (you see that there in Column 7) is a figure which is based on actual experience?—It is, I would agree with you that there has been a decline in central road services traffic.

757. Then I am obliged to that, and we can pass to the next figure I want you to look at. Before I part from this category of ordinary fares, if you would look a little further along the line to the right hand of the page, you will see that in the London Transport Executive after the credits on rail ordinary had been taken into consideration, the reduction is £1,682,948?—Yes.

758. And when one takes London Lines' increase into account the result is £1,450,948?—Yes.

759. By way of reduction on the ordinary category of fares. Now would you be good enough to look in passing at the early morning fares, and you will see a reduction there on every service, but on season tickets you find that there is an increase in London Lines of £287,000?—Yes.

760. With decreases to be taken into account—of course this does not touch the central road services—on rail and coach services leaving still an increase in the result of £173,812?—Yes.

761. Miscellaneous charges I do not think I will take up time about. I will just invite your attention to the foot of the page, which shows the totals. After taking into account miscellaneous charges and clearance figures in respect of London Lines, there is an increase in the estimates of 1955 over the 1954 estimate at the same fare rates at £270,000 on London Lines?—Yes.

762. That, in passing, because I will ask you a few questions about that at a later stage, indicates the revenue on London Lines has turned out to be buoyant, does it not?—That is leaving out of account whether in the "Z" year estimate was a reliable estimate for 1954, but apart from that I would agree with you that revenue on London Lines is relatively buoyant.

B

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[Continued]

763. The whole purpose of this table—you are entitled to criticise it if you wish—is that it starts from and is in a sense anchored to the "Z" year estimates, but we have to have something to start from?—Yes, we started from the 1954 actuals, which seem to be a rather more firm anchor.

764. If you please, your 1954 actuals are reflected in your 1955 estimates, are they not?—They are, yes.

765. So we have my starting point on this Table, the "Z" year estimates, and your starting point, the 1954 actuals, only it is in the form of the 1955 estimate.

766. And if you look at the result on central road services you will find that your 1954 or 1955 estimate at the same fare rates was £1.842m. less than the "Z" estimates?—The 1955 estimate is £1.842m. less than the "Z" year estimate, yes.

767. Does that indicate to your mind that it really is the central road services that are the most vulnerable to increases of fares?—No. We did actually, I think, allow what I think is an appropriate discount. What it does indicate to our mind is that the central road services are perhaps most vulnerable to the influences which determine the general levels of our traffics.

768. But nothing to do with fare changes?—I would say that fare changes are among those influences, but I would certainly not say that fare changes are the only things.

769. At any rate, we are agreed that if any factor is coming into operation that is likely to discourage traffic, the central road services are the most susceptible?—No. I would not agree that, simply stated. It depends on the nature of the factor which is going to influence the traffic.

770. Could we put it this way. Mr. McKenna: Your "Z" year estimates turned out to have a greater measure of inaccuracy in experience on the central road services than on any of the other services?—Yes, I would agree that.

771. (President): Well, you agreed, Mr. McKenna, but I wonder why? Put in the form of a percentage is the £1,842,558 a greater percentage of £42m. or £43m. than are the country buses, £87,990 of £5m., or, in the case of coaches, £118,512 of £2m.?—In the case of coaches there was a very special reason why it was out, because the estimate for "Z" year included a new coach route which in fact was never put on, so I think the coach figure is not very reliable.

772. (President): As a percentage it is larger?—It is larger, but in fact there are other reasons which we have not gone into so far.

773. (President): What about country buses, the percentage is larger there, is it not?—It is about 1 and a bit. It is as large on country buses as central roads, I think.

774. (President): Is it? Is it a near thing?—It is 1.8m. on central roads in forty-six million; it is about 4 per cent. On the country buses it is one and a bit per cent.

775. (President): And for the coaches there is a special explanation?—There is a special reason there, yes.

776. (Mr. Geoffrey Lawrence): Taking into account, quite rightly of course, and I should have borne that in mind, the question of percentage reduction, it still looks as if the "Z" year, in the 1954 estimates, contained a greater measure of inaccuracy in respect of the central road services than any of the others. That was the proposition to which you assented just now?—I would not say a greater measure of inaccuracy; the estimate was—

777. I will try to find a softer phrase, if I can?—I think we understand one another, Mr. Lawrence.

778. I think we understand; the facts of life were harsher in the event?—In the case of central road services, yes.

779. And particularly in the category of ordinary fares?—Yes.

780. May we pass from that Table and look, if you will, at the preceding one, LCC 405. This is another of our agreed Tables and it is designed to show the breakup of this £1,701,900. I daresay you have had an opportunity at any rate of glancing at it, Mr. McKenna?—I have, yes.

781. No doubt for the purposes of seeing whether you could agree it?—I agree it as a piece of arithmetic, but that is about all.

782. I am going to see if I can extend the measure of your agreement. You see, it shows again on the basis of the two estimates, Column 1 being the 1954 estimates and Column 2, and they are merely the breakup of the global totals which we have already seen on 406?—Yes.

783. And Columns 3 and 4 show the 1955 figures compared with the 1954 figures, separated out in Column 3 and Column 4 according to their being plus or minus, the original 1954 figures. That is the scheme of the table—Yes.

784. Do you see that the 4d. fare—and these are ordinary on central road services, you appreciate that?—Yes.

785. The 4d. fare, so far as the estimates are concerned at any rate, seems to have taken by far the largest knock, if I may put it that way?—According to this table, the 11d. fare; there is a reduction which is getting on for the same order of magnitude.

786. There still remains the fact that the 4d. fare took the largest knock?—Yes.

787. And that was a fare category which was established in 1954 by the Scheme of that year by lifting the existing 3d. fare to 4d.?—Yes, that is true.

788. Now it also appears—you are quite right to point it out—on the Table that the 11d. fare took the next hardest knock. That was where the fare was increased from 10d. to 11d. was it? And the next in order of magnitude is the 7d. fare, which was a 1d. increase, was it not?—No, it was unchanged.

789. What do you suppose would be the explanation of the 7d. fare?—I am afraid I do not go with you to agree that this table can be used in detail to show trends of traffic at individual fare values.

790. I am not sure that I follow; why not expect, for the reason you put forward on 406, that it started and was anchored to an original figure that was only an estimate? Is it the same criticism here?—That is one of the criticisms, but I think in the first place "Z" year is not a valid estimate for 1954. In the second place, this Table in so far as the 1954 figures are concerned was based upon a distribution of traffic by fare values, and when we say by fare values we mean by tickets issued in October, 1953, whereas the figures for 1955, in Column 2, are based upon a similar test in February, 1955. In the ordinary course we take two tests, one a winter one in February and the other a summer one in July, and we average the results in order to obtain a reasonable estimate of a year's distribution of traffic. In the case of 1954 we took an October 1953 estimate which I think you might say is a kind of neutral month, neither summer nor winter, which would reasonably represent a year's distribution, but in the case of 1955 we could not take a test in October, 1954, because there was a bus strike at the time and that upset the traffic very badly, and we had to wait until February; so in the case of 1955, we have only a winter test. The purpose of the test in 1955 was to calculate the yields from the new fares, and even if the test is a little wrong between the distribution of some of these fares it does not make any difference, certainly in the fares of 7d. and over, because under our proposals they all take an increase of 1d. But there is a further complication in the higher fares, like the 11d.; we do not always put an 11d. ticket in the boxes and as we go over to machine-issue of tickets we have not yet on all the machines that are in use the 11d. denomination tickets, so there is bound to be some discrepancy.

791. Some double ticketing?—Some double ticket issue, yes.

792. Do you remember, on the Second Day, at Question 388. Mr. Sewell asked you: "Before you go, Mr. McKenna, can you tell me something more about the declining trend in traffic of which you spoke yesterday? Is it a geographical trend? Is it on one part of your system, or at a certain hour of the day, or is it on the lower fares or the higher fares? Have you taken out any particulars at all to try to pinpoint it?" Do you remember the answer you gave?—Yes, I remember the answer.

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[Continued]

793. "No, Sir. I think it is in the main in the inner part of our area. It shows up on the central road services of London Transport, I think for the reason that the population in the country area is expanding. Nor does it show up, of course, in the London Lines, which one could expect would follow roughly the same sort of trend as our country area, because it is dealing with a greater population. It is in the main, I think, in the fully built-up area of London, and I would say it was outside the peaks rather than at the peak times themselves; although we have had some evidence of a very slight decline in the peak traffic moving into the centre of London. That is very small". Then, in answer to the next question, you said: "It is the short and medium-distance traveller rather than the long traveller" and there was a question about the 2d. minimum. On Table 405, Mr. McKenna, we made some attempt, on the figures that were available to us, to try to pinpoint this loss of traffic so far as it related to the central road services and to separate it up into fare categories. If you do not accept—as you have indicated you do not—the actual figures in this Table as capable of the interpretation that I put upon them for the reasons which you have given, do you still accept, broadly, the inference that I was drawing, namely, that it is certain categories—I will specify them in a moment if necessary—namely, the ordinary fare on the central road services, that have really suffered the greatest decline?—Yes. I would say it is at the minimum fare and the next one: the fares up to two miles on the central road services where the traffic has suffered the greatest decline.

794. I am much obliged. Although I do not want to gild the lily of your last answer, I am tempted to ask you this: It does look, does it not, as if the position is beginning to arise when those fares will not stand any more increases?—No, Mr. Lawrence; because if the reason for the decline had been the fares themselves, one would have expected to have seen the same sort of decline on the railways, on the underground railways, and, possibly, a relatively greater fall in the short distance traffic on the country buses. But those are not in evidence and, therefore, I think we are bound to attribute the fall in traffic at the shorter distances on the central road services to other reasons than the level of the fares themselves.

795. Like so many other things at these Inquiries, that is a difference of opinion on the interpretation of figures, and only time will tell which of us is proved to be right?—Yes; that is right.

796. I want to deal with another matter. Would you have Table 407 in front of you. This part of my cross-examination—and let me be frank about it—is, and will be, directed to the figure of £72.4m. which appears both from BTC 1, item 8, column 4, and BTC 21, item 3, column 3. I understand it to be the "B" year forecast of the gross receipts of London Transport services on the 1954 fares unaltered by this application?—Yes; on what we call the old fares.

797. The importance of that figure in your calculations, if I can just get this clear before I start, is this, is it not? It is because that figure, £72.4m., is an estimated figure in its relation to the figure of £71m. for working expenses that produces the £1.9m., which is the starting figure in item 1 of Table BTC 27?—That is right, yes.

798. Not only is this £72.4m. the estimate of the receipts at the old charges for "B" year, but I understand you to say that, to all intents and purposes, it is actually the Transport Executive's own domestic budget for the year 1955?—I would rather put it the other way round. It is the Transport Executive's own domestic budget figure for 1955 which we have used as the estimate for "B" year.

799. The actual receipts for 1954, I understand you to say, were £70.07m.?—Yes.

800. Your answer to questions 285 and 286 on the First Day showed how you arrived at the figure of £72.4m. as your estimate for 1955 based on the actuals of 1954?—Yes.

801. If I may just refer to that to get this clear: You said, in answer to Question 285: "Then certain adjustments were made to that figure"—that is the £70.07m. actual receipts—"There was a major upward adjustment

of £2.68m. which represented the yield for the remainder of a full year of the new charges that were introduced on the 26th September, 1954. Then there were a number of other adjustments. There was an upward one to take into account the effect of the bus strike in October, 1954, where we lost receipts in 1954; and there were certain downward adjustments to take into account, in the first place, downward variations in the level of mileage in 1955 compared with 1954; and some decline of traffic which we expected in 1955 due in the main, so we say, to increased private car competition, but offset to some extent by the effect of abnormally bad weather in 1954, particularly in the summer, which, in our view, depressed the receipts of 1954 rather below what we might have expected in a normal year". Then, missing out the next answer and passing to 287, the answer is: "The net effect of these other adjustments—apart from the adjustment for the increase revenue from the new fares—was a decline of £0.35m. So that over-all we estimated a net increase over 1954 of £2.33m., which is the £2.68m. from the new fares less £0.35m. from these adjustments; and in this way we arrived at a figure of £72.4m.". You were kind enough to give us more details of those calculations, and those details appear on the top of LCC 407, do they not?—That is right, yes.

802. You gave us figures of £2.68m. for the increased fares that you would get in the balance of the year; then there is a small increase in traffic clearance, and I need not bother about that; the effect of strike is put at £0.36m.; the effect on revenue of reduced mileage in 1955 as compared with 1954 is a deduction or downwards adjustment of £0.31m.; and then there is (e), which is a composite item: "allowance for loss of traffic, offset by effect of abnormally bad weather in 1954, and roundings" of £0.43m. May I have your help in trying to split up that last composite figure of £0.43. You see, what we have said on the table is: "It will be noted that item (e), £0.43m., is the net difference between the amounts attributed to two factors: (i) allowance for loss of traffic (—) and (ii) adjustment for abnormally bad weather in 1954 (+). It is estimated that the latter factor can be evaluated at approximately £0.5m." May I pause there. Would that be acceptable to you?—I would not quarrel with that, but I would like to point out that in this Table, at the top of the Exhibit which we supplied, the figures under items (a) to (d) all have some kind of arithmetical background. When it comes to figures under (e), they do not have the same calculated background but are rather the result of an exercise of informed judgment; and it was for that reason that we ourselves did not split this figure of £0.43m. down into its component parts, because it might be thought we attributed a certain precision to the component parts which we could not, in effect, do. But I would not quarrel with a figure of the order of half a million pounds as the adjustment for abnormally bad weather in 1954, except to say that abnormally bad weather implies an estimate of normal weather in some future year, so that there is an element of doubt inherent in that figure in any case.

803. Of course, anything that compares normal with the abnormal must include that element of doubt. Some people may think it is quite normal for us to have nothing but cold weather from January to December. That is the difficulty, is it not?—It is, yes.

804. However, we have to do the best we can in these things. I have no doubt you had a figure yourself for this upward adjustment for the bad weather, did you not?—It was a figure of the order of half a million. Our own figure was a figure of that order.

805. A little more or a little less?—I would rather not quote it in terms of a little more or a little less, because of this other word under (e) of "roundings". We did not have a figure for weather, a figure for the loss of traffic, and then a separate figure for roundings. We rather took the answer first and then split it up and included the roundings in one or the other.

806. Let us go on and work on the basis of a bad summer necessitating the addition of half a million to your forward estimate for the next year on the basis that bad summer is abnormal.

807. (President): What is this summer?—Is it normal or abnormal? After all, we are concerned with this summer

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[Continued]

in part, are we not?—So far, I think it is abnormal; certainly so far as rainfall in May is concerned.

808. (*Mr. Geoffrey Lawrence*): At any rate, I do not think we have reached any violent disagreement yet, if any disagreement at all. We are both working to a forward estimate for 1955; we both agree there should be some adding back on the 1954 experience for the weather element, and we are not quarrelling about a figure of half a million for that. Now would you look at what we have said after that: "On this basis the estimate for 1955 (which is taken by BTC to represent also "B" year) can be restated in the form shown in Column A of the table below". You have had a look at that and I dare say you will see how it has been done. We take your figure of adjustment for the strike of £0.36m.; we work on our figure, with which you do not quarrel, of half a million for bad weather conditions; and then we look at the £2.68m. in this way: We have taken the full annual effect of the 1954 scheme increases in fares at £3.7m.—that was the figure that finally emerged from the discussions and deliberation on the last occasion, was it not?—Yes.

809. And it was that figure that was referred to in the course of Mr. James' evidence the other day. It would follow, arithmetically, that if that is a right figure—and I concede that at once—and your figure of £2.68m., is also correct as being the portion of those increases that you are going to collect in 1955, that £1.02m. must be deemed to have been received in 1954 during the 97 days from the 26th September?—Yes.

810. That gives you, so far as upward adjustments are concerned, a total of £73.61m. Then there are some downward adjustments?—There is a little upward adjustment that has been put in below the line, but it might have been put in above the line.

811. I quite agree, it might have been put above. Then we have taken your figure of £0.31m. for 1955 compared with 1954 and set off against that the clearances which gives a deductible figure of £0.28m., leading us to £73.33m. in line 12. Then, in order to reach your estimate of £72.4m. and to take account of the factor that you mentioned in your answer 283 "some decline of traffic which we expect in 1955", that must be evaluated if these other figures are correct at £0.93m.?—Yes. My only qualification is that the weather adjustment is of the order of half a million and so the allowance for further traffic loss would be of the order of £0.93m.

812. It is something in the nature of a balance sheet in which the final figure depends on what is left after you have taken other known factors into consideration in order to make up the answer you want at the bottom, which is £72.4m.?—Yes.

813. There are two matters arising out of that restatement of your figures about which I want to ask you. The first relates to the increases of fares that produce the figures stated. Let me put this as a fact to you and get your answer to it first of all: Is it a fact, or is it not, that in the 97 days from 26th September, 1954, the 1954 increases did yield £1.02m.?—I cannot answer that.

814. If not £1.02m., what was the figure that was yielded by the end of the year?—I have no reason to suppose that the yield of £1.02m. was not approximately achieved. On the other hand, I cannot prove that, because so many other things happened at the same time.

815. I shall attempt in a moment to see if I can satisfy you that it was not, but, postponing that for a moment, is your £2.68m. a proportionate part of the £3.7m. or not?—It is a proportionate part of £3.7m., yes.

816. I thought it was; apportioned to whatever was left of a twelve-monthly period on the 1st January, 1955?—Not a straight arithmetical proportion pro rata to the days, but according to the normal distribution of traffic over a twelve-monthly period.

817. You are not then looking to more than £3.7m. as the full annual yield of the new 1954 charges?—No.

818. And you reckon, if I understand this rightly, that the £2.68m. is the estimated yield for the remainder of a full year of the charges which had been introduced on 26th September of the year preceding?—Yes.

819. It would follow, if all those assumptions are correct, would it not, that if you did not in fact receive in the 97 days to the end of the year the full £1.02m., being the balance of the annual £3.7m., whatever you did not

receive of that by 31st December, 1954, you would receive in the remainder of a full year?—On the assumption that you are going to receive the £3.7m. in a full year, yes.

820. Well, that is the assumption we are both working on?—Yes.

821. Therefore, if I can satisfy you that you did not get your £1.02m. in the first 97 days of the 365 day period, it would follow that by whatever it fell short would be picked up in the remainder of the year?—Always on our assumption, yes.

822. It would follow, therefore, to that extent the figure of £2.68m. should be increased?—Yes.

823. It would follow, therefore, to that extent, that your estimate for 1955 and "B" year of £72.4m. should also be increased?—No, I would not go with you as far as that. I would agree as a piece of arithmetic, that up to line 12 the figure would be increased beyond £73.33m. to £73.63m., if we accept your figure for the moment. But the allowance which I think is bound to be of a fairly broad nature, and I would look at it the other way round. I would say: Is there any reason to depart from the figure of £72.4m. which I could achieve by putting in a rather higher balancing figure, if you like, under Item 13 of £1.25m. to bring it to that total, and then I would test my figure of £72.4m. against my actuals and look to see whether it looked reasonable or not.

824. I readily recognise, as I am sure you understand, that if we are not under any circumstances going to vary the £72.4m., then it is not much use examining the calculation that leads up to it, is it?—I agree.

825. There is nothing mystical or revelatory about the figure of £72.4m., is there; it is the result of a calculation?—It is not the result of a precise calculation.

826. I will accept that without asking the degree of imprecision in the calculation. But it is, whether the calculation is precise or not, a figure which is the result of the process of thought and not the starting point of it, is it?—It is the result of a process of thought, subject to a qualification which I think I set out in my answer to question 289.

827. Let me see what you said there. Would you like to refer to the qualification, then, in your own way?—I explained that it is a matter of very great difficulty to make a firm forecast at the beginning of a year because there are a number of unpredictable factors and there is bound to be an element of speculation in such an estimate; but we are enabled to test it against fact as the year progresses.

828. If it is not a firm figure, would you allow me to add £1m. to it and stop all further argument?—I think it would be very rash to add £1m. to it; I would not mind if you subtracted £1m. from it.

829. If it is imprecise and is really one of these inspired deductions, it may be imprecise one way as well as the other?—I think if we were talking in the beginning of the year, in January, I might be agreeable to add or subtract £1m., but as we have now had half the year already, I would certainly not agree with you that we should add £1m. to this.

830. Do not think I am being discourteous to you, because that is never my intention; but are you not really trying to cover your position in advance in case I showed there was something wrong in the intermediate steps of the calculation?—I do not think so at all. I tried to point out the status of these figures and I think, in any forward estimate of traffic to be, say, within 1 per cent. a year ahead, would be a very remarkable piece of estimating. 1 per cent. on the figures about which we are talking is a matter of £750,000.

831. I know and I was modest enough to suggest only £1m.

(*President*): The wrong way, Mr. Lawrence!

832. (*Mr. Geoffrey Lawrence*): Let us face it, Mr. McKenna; is this £72.4m. a precise figure or not; if not, what is the margin of error either way in your opinion?—I would like to put it this way: I think, when the estimate was made in January of this year, it was not a very precise figure but it has become more precise as we have gained experience.

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[Continued]

833. So that it has no margin of error either way?—No, it might still have a margin of error; but I think the probability, which is a very strong one, is that it will prove to be too high rather than too low.

834. Therefore, it is a maximum figure capable, possibly of being cut down; but under no circumstances is anything to be added to it?—Well, I should be very surprised if it turned out that anything had to be added to it.

835. You see I am only taking you up on your own evidence as to how this figure was arrived at?—My evidence was set out in 283.

836. I know it was, and it began, you see, with this major upward adjustment of £2-68m. for the yield for the remainder of the year at the new charges, both of us proceeding on the basis that £3-7m. is going to be the yielded figure over the whole year?—Yes.

837. Let me suggest that that is an underestimate. Have you got—and I think it would be a great help to you if you had it in front of you—the budgeted and actual figures for the periods, 12 and 13 of 1954? If not, I am sure you can take it from me, subject to your verification of them; they are quite short?—Could I have the dates?

838. I think the reference to the budgeted figure is BTC 709; I do not know whether you have the 1954 exhibit or transcript there, BTC 709, Seventh Day, page 166?—Yes, I have them.

839. It is the same kind of document as BTC 22. Now if you look at the budgeted figures for the last three periods and gross them up into periods (which has been done), I think you will find that period 11 adds up to a figure of £5,400m.?—Yes, I have them.

(President): That is October to November?

840. (Mr. Geoffrey Lawrence): Yes. Period 12, £5,392m. and period 13 £5,239m., all of which add up to a total of £16,031m. Now I want to give you the actual figures which I get from the Transport Statistics for the relevant period set side by side with those so as to be able to make the comparison. The figure I have been supplied with as being extracted from the Transport Statistics for the period No. 11 is £5,261m., to which, Mr. McKenna, we should add, for the purposes of accurate comparison, your £0-36m. in respect of the strike, should we not, because it is incurred in that month?—Yes.

841. So that would give me an actual, as adjusted, figure for period 11 of £5,621m. Then the actual figure for period 12, uncomplicated by the strike, is £5,557m. and the actual for period 13 is £5,388m.: and if you add those three totals of actuals together for those three periods you will find that they come to £16,566m.?—Yes.

842. Now if you take the difference between the budgeted figure for those three periods in the actuals, the budgeted figures being, of course, budgeted on pre-increase fares, you will find the difference is £53,000 or £0-535m.; but you will realise that, as I have had to take three periods like that, it does not cover the whole of the part of 1954 that ran from the 26th September; it only covers 84 days. Therefore, if I want a figure for 97 days there is 13 days to be accounted for, and, doing it imprecisely, if you like, because there are certain matters such as Christmas traffic and that sort of thing about which more than one opinion might be had, doing it as a sum of proportion, if it is £0-535m. for 84 days, it is £0-614m. for 97 days?—Yes.

843. Now on that test—and I do not suggest that the answer is the final accurate figure that one could pin oneself to, but it is an indication of the level—it looks, does it not, as if all you recovered in those first few months after the 26th September and before the end of the year, was about £0-7m.?—I do not quite follow you.

844. Did you follow me up to the point when we found the difference between the budgeted figure for the period and the actual for the period?—Yes, a difference of £0-535m. as between the budgeted at the pre-1954 fares and the actuals for those three periods?—Yes, I follow you up to that.

845. Did you follow that that, of course, is for 84 days only?—Yes.

8204

846. Did you follow that from 26th September until the 31st December it is 97 days?—Yes.

847. Did you follow that arithmetically, on a matter of proportion, if it is £0-535 for 84 days, it is £0-618m. for 97 days?—Yes.

848. Now if the budgetary figures at the pre-1954 Scheme fares were correct, this is one way of getting at the actual receipts as a result of the increase of fares on the 26th September?—Yes, on the assumption that there has been nothing else to disturb the actuals.

849. On the assumption that there has been no decline in that part of the year compared with the estimate of that year; that is what you are trying to say?—Yes.

850. I recognise that, but we do not think, for reasons which I could put to you, there is any need to make an adjustment on that account?—I am afraid I dispute that.

851. Let us leave that in dispute for the moment unresolved. Would you be kind enough to make an assumption in my favour, noting that you do not agree with it. It would show that your collection of increased revenue was of the order of £0-7m.?—Yes.

852. Now I want you, if you would, to do a second test of that matter, still leaving the point in issue that you mentioned, and compare the receipts in 1954, the actuals in 1954, periods 11, 12 and 13 (which I have already given you), with the actuals in the comparable periods in 1953?—Yes.

853. Which would have been also at the pre-1954 revision fares, would they not?—Yes, the previous increase was in August, 1953.

854. So this is merely an exercise in comparing actuals over similar periods in succeeding years?—Yes.

855. I have given you the 1954 figures; now let me give you the 1953 actuals. Period 11, £5,407m.; period 12, £5,389m. and period 13, £5,334m., which gross up to a figure of £16,130m. Do you remember—and I want to concede this to you—that you made an allowance for a decline in traffic in 1954 as compared with 1953 of 1 per cent.?—It was, I think Mr. Valentine said, about 1 per cent.

856. Well, let us take it at 1 per cent. and therefore deduct from £16,130m., £0-161m. That will give you a resultant figure of £15,969?—Yes.

857. Would you now be kind enough to take up the figure for the 1954 actuals after adjustment for the strike, which you will remember totalled £16,566m.?—Yes.

858. And I think you will find, comparing that figure of £16,566m. with the discounted figure of £15,969m., that the increase in receipts over those three periods, 1954 over 1953, was £0-597m.?—Yes.

859. Again only for 84 days, and again doing the sum in proportioning for the 97 days gives you a figure of £0-689m.?—Yes.

860. Again you see on that test it brings you to an answer of something, to adopt your phrase, of the order of £0-7m., as a result of the 1954 increases for the period of 26th September to 31st December. If those tests should be indicative of the true factual position, that is all that was picked up by the end of December, and assuming that over the full year you are going to get no less than £3-7m., then if you look at my column (a), the difference between £1-02 and, say, £0-7m., or shall we say £0-3m. has to be switched to your £2-68m.?—Yes.

861. I want to make this clear also in case it should occur to you that we have in both those tests considered whether they should reflect, by way of adjustment, any reduction in revenue consequent on reduction in mileage run in 1954 over 1953 (that is the second test, but I think it might apply to the first one as well), that we came to the conclusion that would be so small that for the purposes of a rather broad exercise like this, we must disregard it.—Yes. I shall have to examine the figures, but I would not quarrel with that.

862. I will not ask you for an immediate answer, but I mention it so that you will know we have borne it in mind. Similarly we have borne in mind that it might be possible to argue for a minor adjustment in the opposite direction in respect of clearance figures.

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[Continued]

(*President*): Why have you confined your attention, Mr. Lawrence, to the last three four-week periods and not gone back to a period up to the date from which the increases came into operation?

(*Mr. Geoffrey Lawrence*): The operative date of September, 26th—and I am afraid I am giving this answer without referring to the original of this matter—comes in the middle of the immediately preceding period.

(*President*): You mean you have not, at any rate readily available, your weekly receipts. You have only period receipts, 'because, although it is true to say that period ends on and, as I understand it, includes September 26th, there is certainly a period ending October 3rd and October 10th for which we have budgeted figures, but not actuals as yet.'

(*Mr. Geoffrey Lawrence*): That is right. We have only done it for the complete three four-weekly periods at the end of the year and then added back the 13 days.

(*President*): Then you get your fraction?

(*Mr. Geoffrey Lawrence*): Yes, which, as I indicated to Mr. McKenna, might be open to some doubt because it equates 13 days to the mean average of all the other 34 days and of course they are not the same; but it would, I suppose, tend rather, if I may say so, to increase the amount of extra receipts, because, by taking a proportionate figure over the last two weeks of the tenth period when the public reaction to the new fares would be greatest immediately after their imposition, we have probably given a little more than we needed.

(*President*): Probably the average ordinary earnings are better than that earned in September and later on, so you work the other way.

(*Mr. Geoffrey Lawrence*): I know. There are almost an infinity of fine adjustments which can be made to these matters. We have taken it very broadly.

(*Adjourned until tomorrow morning at 10.30 a.m.*)

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[Continued]

CORRIGENDA

PROCEEDINGS, FIRST DAY—MONDAY, 13TH JUNE, 1955

Page 1, List of Appearances, penultimate item—for "Mr. F. A. Rules" read "Mr. F. A. Ruler"
 Page 3, column 1, line 23—for "£20-5m." read "£22-5m."
 Page 3, column 1, lines 24 and 25—for "£22-5m." read "£29m." and delete remainder of sentence
 Page 3, column 1, line 28—for "£20-5m." read "£22-5m."
 Page 4, column 1, line 33—for "Commissions" read "Commission"
 Page 5, column 2, line 6—delete whole line
 Page 5, column 2, line 15—for "old cases" read "earlier Inquiries"
 Page 5, column 2, line 55—for "£33m." read "£3-3m."
 Page 6, column 1, line 3—for "receipt" read "receipts"
 Page 6, column 1, line 4—for "schemes" read "scheme"
 Page 8, Question 10, line 2—for "Mr. MacKenna" read "Mr. McKenna"
 Page 8, Question 15, line 3—for "discrepancy" read "discretionary"
 Page 8, Question 24, line 4—for "under" read "in"
 Page 8, Question 25, line 4—for "discussions with" read "application to"
 Page 8, Question 29, line 2—delete semi-colon
 Page 8, Question 32, line 9—for "up" read "for"
 Page 9, Question 36, line 1—for "allowances" read "allowance"
 Page 9, Question 39, line 3—for "claim" read "scheme"
 Page 9, Question 39, line 8—for "allowances" read "allowance"
 Page 9, Question 40, line 5—insert "of London Transport" before "is expected"
 Page 9, Question 42, lines 1 and 2—for "enterprises" read "Activities"
 Page 9, Question 42, line 3—for "£1-49m." read "£1-4m."
 Page 9, Question 44, line 4—for "the" read "they"
 Page 9, Question 44, line 5—for "is" read "and are"
 Page 9, Question 54, line 2—insert "of BTC 2" after "line 5"
 Page 9, Question 57, line 4—for "reserves" read "reserve"
 Page 9, Question 57, line 5—for "reserves" read "reserve, and"
 Page 9, Question 63, line 1—for "£40m." read "£41m." and for "£30½m." read "£31½m."
 Page 9, Question 69, line 4—for "passenger collection" read "passenger, and collection"
 Page 9, Question 71, line 6—for "deterioration" read "depreciation"
 Page 10, Question 76, line 6—delete "to" after "ratio"
 Page 10, Question 76, line 12—for "16" read "21"
 Page 10, Question 87, line 2—delete "all charges at the"
 Page 10, Question 88, line 5—for "on £1-5m." read "is £1-15m."
 Page 10, Question 90, line 1—for "£0-5m." read "£0-05m."
 Page 10, Question 93, line 1—insert "the balance of" after "neglected"
 Page 11, Question 109, line 1—for "suggestions" read "alterations"
 Page 11, Question 116, line 5—for "£2m" read "£2-2m."
 Page 11, Question 129, line 2—for "to the figure of" read "of the figure to"
 Page 12, Question 148, line 3—for "£0-4m. in 'B'" read "£0-5m. in 'B'"
 Page 12, Question 164, line 5—for "except" read "expect"
 Page 13, Question 176, line 4—for "1945" read "1954"
 Page 13, Question 176, line 7—for "£2-3m." read "£3-2m."
 Page 13, Question 188, line 4—for "The effect on" read "The effect of"
 Page 13, Question 191, line 3—for "£30,000" read "£50,000"
 Page 13, Question 196, line 1—for "2-3" read "£2-3m."
 Page 14, Question 210, line 7—for "£350,000" read "£315,000"
 Page 14, Question 228, line 2—for "£1-89m." read "£1-8m."
 Page 15, heading—for "Mackenna" read "McKenna"
 Page 15, Question 264—for "Mackenna" read "McKenna"
 Page 15, Question 270—delete question mark, add full stop
 Page 16, heading—for "Mackenna" read "McKenna"
 Page 16, Question 285, line 13—for "so we say" read "so we think"
 Page 17, heading—for "Mackenna" read "McKenna"
 Page 17, Question 299, line 22—for "£251,000" read "£237,000"
 Page 17, Question 300, line 3—for "on the week" read "in the week"
 Page 17, Question 300, line 10—for "No. 9's" read "London Lines"
 Page 17, Question 307, line 5—for "1952" read "1954"
 Page 17, Question 310, line 2—for "decrease" read "decrease"
 Page 18—for Exhibit No. "BTL 22A" read "BTC 22A"

PROCEEDINGS, SECOND DAY—TUESDAY, 14TH JUNE, 1955

Page 20, Question 326, line 3—for "2 and 5" read "2 to 5"
 Page 20, Question 336, line 5—for "comparable" read "operable"
 Page 20, Question 337, line 3—for "affected" read "effective"
 Page 21, Question 357, line 3—for "Region" read "Railways"
 Page 21, Question 365, line 5—for "to 1/2" read "by 1/3d"
 Page 22, Question 373, lines 3 and 4—for "of the actual figure £275,000" read "(the actual figure is £275,000)"
 Page 22, Question 377, line 3—for "ordinary day" read "ordinary and day"
 Page 22, Question 379, line 2—for "0-1 per cent." read "1-0 per cent."
 Page 23, Question 387, line 5—for "4d. fare" read "5d. fare"
 Page 23, Question 388, line 7—for "No, Sir" read "Yes, Sir"
 Page 23, Question 389, line 1—for "It is not calculate for a traveller in" read "Have you calculated whether it is the traveller going?"

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[Continued]

L.C.C. 401

ESTIMATE OF DISCOUNTED YIELD FROM INCREASING 7d. ORDINARY FARE TO 8d. AND RETAINING THE "NEW" E.M. RETURN SCALE (i.e., NO INCREASES IN OTHER ORDINARY FARES OR SEASON TICKET RATES)

Category (1)	London Transport Executive				
	Rail (2)	Central road services (3)	Country buses (4)	Coaches (5)	Total (6)
(1) Ordinary, etc.	£ 164,329 (a) 224,060 (c)	£ 362,739 (b) 664,270 (c)	£ 57,507 (b) 68,820 (c)	— —	£ 584,575 957,150
(2) E.M.					
(3) TOTAL	£388,389	£1,027,009	£126,327	—	£1,541,725

Notes:—
(a) From BTC. 27, Appendix B.
(b) From BTC. 27, Appendix C.
(c) From BTC. 27.

L.C.C. 402

ESTIMATE OF DISCOUNTED YIELD FROM INCREASING 7d. ORDINARY TO 8d. AND 9d. TO 10d. AND RETAINING THE NEW E.M. RETURN SCALE (i.e., NO INCREASE IN OTHER ORDINARY FARES OR SEASON TICKETS)

Category (1)	London Transport Executive				
	Rail (2)	Central road services (3)	Country buses (4)	Coaches (5)	Total (6)
(1) Ordinary	£ 301,883 (a) 224,060 (c)	£ 520,054 (b) 664,270 (c)	£ 88,573 (b) 68,820 (c)	— —	£ 910,510 957,150
(2) E.M.					
(3) TOTAL	£525,943	£1,184,324	£157,393	—	£1,867,660

Notes:—
(a) From BTC. 27, Appendix B.
(b) From BTC. 27, Appendix C.
(c) From BTC. 27.

L.C.C. 403

ESTIMATE OF DISCOUNTED YIELD FROM INCREASING ORDINARY FARES—7d. TO 8d., 9d. TO 10d., 11d. TO 1s., 1s. TO 1s. 1d., 1s. 1d. TO 1s. 2d. AND RETAINING NEW E.M. RETURN SCALES (i.e., NO INCREASE IN ORDINARY FARES OF 1s. 3d. AND OVER, NO INCREASE IN SEASON TICKETS)

Category (1)	London Transport Executive				
	Rail (2)	Central road services (3)	Country buses (4)	Coaches (5)	Total (6)
(1) Ordinary	£ 504,705 (a) 224,060 (c)	£ 611,829 (b) 664,270 (c)	£ 124,147 (b) 68,820 (c)	— —	£ 1,240,681 957,150
(2) E.M.					
(3) TOTAL	£728,765	£1,276,099	£192,967	—	£2,197,831

Notes:—
(a) From BTC. 27, Appendix B.
(b) From BTC. 27, Appendix C.
(c) From BTC. 27.

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[Continued]

L.C.C. 404

LONDON TRANSPORT EXECUTIVE

ADJUSTMENTS OF "NEW" E.M. (ROAD) SCALE CONSEQUENTIAL UPON SUGGESTIONS
CONTAINED L.C.C. 401, 402 AND 403

(1) Single mileage		(2) "New" E.M. rail return	(3) L.C.C. 401 (increasing 7d. to 8d. and no other ord. fare)	(4) L.C.C. 402 (increasing 7d. to 8d. and 9d. to 10d.—ord.)	(5) L.C.C. 403 (No increase in ord. fares of 1s. 3d. and over)
		E.M. Outward + Ord. Single	E.M. Outward + Ord. Single	E.M. Outward + Ord. Single	E.M. Outward + Ord. Single
3	...	11d.	5d. + 6d.	5d. + 6d.	5d. + 6d.
4	...	1s. 1d.	5d. + 8d.	5d. + 8d.	5d. + 8d.
5	...	1s. 3d.	6d. + 9d.	5d. + 10d.	5d. + 10d.
6	...	1s. 5d.	6d. + 11d.	6d. + 11d.	5d. + 1s. 0d.
7	...	1s. 7d.	7d. + 1s. 0d.	7d. + 1s. 0d.	6d. + 1s. 1d.
8	...	1s. 8d.	7d. + 1s. 1d.	7d. + 1s. 1d.	6d. + 1s. 2d.
9	...	1s. 10d.	7d. + 1s. 3d.	7d. + 1s. 3d.	7d. + 1s. 3d.
10	...	1s. 11d.	7d. + 1s. 4d.	7d. + 1s. 4d.	7d. + 1s. 4d.

L.C.C. 405

COMPARISON OF ESTIMATED REVENUE AFTER 1954 SCHEME WITH ESTIMATED REVENUE
BEFORE INCREASES 5th JUNE, 1955

LONDON TRANSPORT EXECUTIVE

CENTRAL ROAD SERVICES—ORDINARY FARES, INCLUDING BACKWARD JOURNEYS OF E.M. PASSENGERS

Fare	(1) 1954 (a)	(2) 1955 (b)	(3) Col. (2) compared with Col. (1) Plus	(4) Col. (2) minus Col. (1)
	£	£	£	£
1d.	70,206	794,398	64,192	
1½d.		6,108	6,108	
2d.	12,803,941	12,871,347	67,406	
2½d.		20,914	20,914	
3d.	309,088	283,314		25,774
4d.	13,189,005	12,506,029		682,976
5d.		10,824	10,824	
5½d.	75			75
6d.	7,086,850	6,988,380		98,470
6½d.		4,437		4,437
7d.	4,306,014	3,996,893		309,121
8½d.		40		40
9d.	2,412,467	2,396,415		16,052
9½d.	2,265			2,265
10d.		16,967	16,967	
11d.	1,777,842	1,277,587		500,255
1s.	639,628	646,494	6,866	
1s. 1d.	335,211	267,306		67,905
Over 1s. 1d.	335,450	148,534		186,916
	43,932,519	42,231,510	+ 193,277	— 1,894,286
	42,231,510			+ 193,277
	1,701,009			— 1,701,009

Notes:—(a) Calculated from B.T.C. 810A (App. C and G).

(b) Calculated from B.T.C. 27 (App. C and G).

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[Continued]

Category	COMPARISON OF ESTIMATED REVENUE AFTER 1954 FARES' INCREASES WITH ESTIMATED REVENUE BEFORE 1955 FARES' INCREASES										Total—London area			
	London lines			Rail			Central road services			Country bus		Coaches	Total	
	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955	1954	1955
(1)	1954 (2)	1955 (3)	1954 (4)	1955 (5)	1954 (6)	1955 (7)	1954 (8)	1955 (9)	1954 (10)	1955 (11)	1954 (12)	1955 (13)	1954 (14)	1955 (15)
1. Ordinary, etc. Add E.M. backward journeys Add E.M.—2 miles ...	10,136,000	10,268,000	12,548,951	12,813,000	38,877,206	38,823,854	4,444,545	4,496,502	2,708,512	2,610,900	64,257,951	62,575,003	74,393,951	72,943,003
2.	10,136,000	10,368,000	12,618,959	12,813,000	43,932,519	42,231,510	4,997,981	4,919,593	2,708,512	2,610,900	(-1,682,948)	(-1,682,948)	(-1,450,948)	(-1,450,948)
	(+232,000)	(+232,000)	(+194,061)	(-1,701,009)	(-78,388)	(-78,388)	(-97,612)	(-97,612)						
3. Early Morning Fares Less backward journeys Less E.M.—2 miles ...	4,401,000	4,374,000	2,548,612	2,324,000	71,165,262	5,908,446	778,995	627,358	—	—				
4.	4,401,000	4,374,000	2,478,624	2,324,000	2,105,039	2,000,790	223,559	207,267	—	—	4,809,222	4,532,057	9,210,222	8,906,057
	(-27,000)	(-27,000)	(-154,624)	(-104,249)	(-18,292)	(-18,292)	(-20,900)	(-20,900)			(-27,165)	(-27,165)	(-304,165)	(-304,165)
5. Season Ticket Rates (including Weekly Tickets).	8,800,000	9,087,000	3,212,278	3,122,000	—	—	32,450	30,440	110,000	89,100	3,354,728	3,241,540	12,154,728	12,328,540
	(+287,000)	(+287,000)	(-90,278)	(-90,278)	(-2,010)	(-2,010)	(-20,900)	(-20,900)			(-113,188)	(-113,188)	(+173,812)	(+173,812)
6. Miscellaneous Charges ...	363,000	341,000	338,000	341,000	503,000	467,700	132,000	142,700	—	—	975,000	951,400	1,338,000	1,292,400
	(-22,000)	(-22,000)	(+3,000)	(+3,000)	(-37,300)	(+10,700)	(+10,700)	(+10,700)			(-23,600)	(-23,600)	(-45,600)	(-45,600)
7. Clearance Within London area ...	-1,000,000	-1,200,000	+1,000,000	+1,200,000	+1,000,000	+1,200,000					+1,000,000	+1,200,000	-	-
In and out London area ...	(-200,000)	(-200,000)	(-100,000)	(-100,000)	(-100,000)	(-100,000)					(-100,000)	(-100,000)	(-100,000)	(-100,000)
8. Totals	22,700,000	22,970,000	19,547,841	19,700,000	46,542,558	44,700,000	5,387,990	5,300,000	2,818,312	2,700,000	74,295,901	72,400,000	96,296,901	95,370,000
	(+270,000)	(+270,000)	(+152,159)	(+152,159)	(-1,842,558)	(-87,990)	(-87,990)	(-87,990)	(-118,512)	(-118,512)	(-1,896,901)	(-1,896,901)	(-1,626,901)	(-1,626,901)

Notes.—1. The 1954 figures are taken from B.T.C. 810a, with the exception of season tickets on London lines and L.T.E. rail. These remained the same as in B.T.C. 810.

2. Ordinary figures include backward journeys of E.M. passengers on road services. The figures of E.M. (1954) to obtain true comparison with 1955 figures.

3. E.M. traffic at 2 miles shown in B.T.C. 810a, App. F and G, has been added to ordinary (1954) and deducted from E.M. (1954) to obtain true comparison with 1955 figures.

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[Continued]

L.C.C. 407

L.T.E. ESTIMATE OF GROSS RECEIPTS FOR 1955 AND B. YEAR AT PRESENT FARES

The following details have been provided by B.T.C. on request, amplifying the answers (Mr. McKenna) to Question 285 (1st Day):—

Receipts for 1954	...	...	...	...	...	...	...	...	...	...	...	...	...	£ million
<i>Adjustments:</i>														70.07
(a) Yield of fares revisions of September 1954—further effect in 1955	...	...	...	...	...	...	...	...	...	...	...	...	...	+ 2.68
(b) Increase in value of traffic clearance	...	...	...	...	...	...	...	...	...	...	...	...	...	+ 0.03
(c) Effect of strike in 1954	...	...	...	...	...	...	...	...	...	...	...	...	...	+ 0.36
(d) Effect on revenue of reduced mileage in 1955 compared with 1954	...	...	...	...	...	...	...	...	...	...	...	...	...	- 0.31
(e) Allowance for loss of traffic, offset by effect of abnormally bad weather in 1954, and roundings	...	...	...	...	...	...	...	...	...	...	...	...	...	- 0.43
<i>Estimate for 1955</i>	...	...	...	...	...	...	...	...	...	...	...	...	...	72.4

It will be noted that item (e), £0.43m. is the net difference between the amounts attributed to two factors—(i) allowance for loss of traffic (—) and (ii) adjustment for abnormally bad weather in 1954 (+). It is estimated that the latter factor can be evaluated at approximately £0.5m. On this basis the estimate for 1955 (which is taken by B.T.C. to represent also B. year) can be restated in the form shown in Column 1, of the table below. Column B. shows alternative figures submitted on behalf of County Councils. It is not found possible to complete item (vii) in Column B. until evidence as to further fall in traffic has been given.

Line	Item	Column A. (see above)	Column B. (see above)
1	Actual receipts 1954	£m. 70.07	£m. 70.07
2	Adjustments to 1954 figures:		
2	(i) Strike, October, 1954	£m. 0.36	£m. 0.36
3	(ii) Abnormally bad weather conditions, 1954	0.50	0.50
3	(iii) Full annual effect of 1954 Scheme increases in fares:		
4	(a) Full annual yield	£m. 3.70	£m. 3.70
5	(b) Deemed to have been received in 1954 (97 days from Sept. 26th)	1.02	0.70
6		2.68	3.00
7		3.54	3.86
8	1954 as adjusted for above	73.61	73.93
	Further adjustments for changes in 1955 (and B. Year):		
9	(iv) Increase in value of clearances	+ 0.03	+ 0.03
10	(v) Effect on revenue of reduced mileage in 1955 compared with 1954	- 0.31	- 0.31
11		- 0.28	- 0.28
12		73.33	73.65
13	(vi) Allowance for further fall in traffic	- 0.93	
	<i>Estimate for 1955 and B. Year</i>	72.40	

